

**South Central Connecticut Regional Water Authority**  
Via Remote Access\*\*

**AGENDA**

**Regular Meeting of Thursday, July 15, 2021 at 12:30 p.m.**

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- A. Safety Moment
- B. Meet as Pension & Benefit Committee: S. Sack
  - 1. Approve Minutes – April 15, 2021 meeting
  - 2. Review Revised Committee Charter: R. Kowalski
  - 3. Quarterly Performance Investment Review: S. Kelliher, J. McLaughlin and A. Kantapin
  - 4. Investment Policy Statement Bi-annual Review: S. Kelliher, J. McLaughlin and A. Kantapin
- C. Consent Agenda
  - 1. Approve Minutes – June 17, 2021 meeting
  - 2. Capital Budget Authorization - August 2021
  - 3. Capital Budget Transfer Notifications (no action required) – August 2021
  - 4. Monthly Financial Report – June 2021
  - 5. Accounts Receivable Update – June 2021
  - 6. Deed Acceptance – Little City Road, Killingworth
  - 7. Bid Exemption – Lake Whitney WTP HVAC Controls
- D. Consider and Act on Regional Water Authority Rules and Regulations: P. Singh
- E. Reports on RPB Committee Meetings
- F. \*Updates: L. Bingaman
  - 1. Monthly Board Letter Highlights – Including Executive Session: L. Bingaman
- G. Presentation on Issuance Test Rate Application – Including Executive Session: R. Kowalski
  - 1. Consider and Act on Resolution to Approve Proposed Issuance of Water System Revenue Bonds
  - 2. Consider and Act on Resolution to Approve Issuance Test Rate Application and Submit to the Representative Policy Board
- H. Meet as Compensation Committee: A. DiSalvo
  - 1. Approve Minutes – January 21, 2021 meeting
  - 2. Review FY 2022 Work Plan and Updated Committee Charter: J. Reckdenwald
  - 3. Strategic Planning Results Update and Global Metrics: L. Bingaman
  - 4. FY 2021 CEO Priorities, Performance and Discussion of Leadership Team Performance - Including Executive Session
  - 5. Review and Recommend CEO & Officer Compensation – Including Executive Session
- I. Act on matters arising from Committee meetings

*\*RPB Member (N. Campbell) is excused at Item F (at Executive Session)*

<p>**Members of the public may attend the meeting via conference call, videoconference or other technology. For information on attending the meeting via remote access, and to view</p>
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meeting documents, please visit <https://www.rwater.com/about-us/our-boards/board-meetings-minutes?year=2021&category=1422&meettype=&page=>. For questions, contact the board office at [jslubowski@rwater.com](mailto:jslubowski@rwater.com) or call 203-401-2515.

**Topic: Authority Regular Meeting (Including Pension & Benefit Committee and Compensation Committee meetings)**

Time: Jul 15, 2021 12:30 PM Eastern Time (US and Canada)

Join Zoom Meeting

<https://us02web.zoom.us/j/87601357987?pwd=aGdWbHZBRTcxUDFxc3NjdXJDa2Rudz09>

Dial by your location

+1 646 876 9923 US (New York)

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+1 669 900 6833 US (San Jose)

+1 253 215 8782 US (Tacoma)

Meeting ID: 876 0135 7987

Passcode: 541402

Find your local number: <https://us02web.zoom.us/j/kqtTFtlcU>

**South Central Connecticut Regional Water Authority  
Pension & Benefit Committee  
Minutes of the April 15, 2021 Meeting**

The regular meeting of the South Central Connecticut Regional Water Authority (“RWA”) Pension & Benefit Committee took place on Thursday, April 15, 2021, via remote access. Chairman Sack presided.

Present: Committee – Ms. Sack and Messrs. Borowy, Cermola, Curseaden, and DiSalvo  
Management – Mss. Kowalski, Nesteriak, Reckdenwald and Messrs. Bingaman, Norris and Singh  
RPB – Mr. Havrda  
Angell Pension Group, Inc. – Messrs. Bauer and Krayter  
Morgan Stanley – Messrs. Kelliher, McLaughlin and Kantapin  
Staff – Mrs. Slubowski

The Chair called the meeting to order at 12:31 p.m.

On motion made by Mr. Curseaden, seconded by Mr. Cermola, and unanimously carried, the Committee approved the minutes of its January 21, 2021 meeting.

Borowy	Aye
Cermola	Aye
Curseaden	Aye
DiSalvo	Aye
Sack	Aye

Messrs. Bauer and Krayter, of Angell Pension Group, Inc., the RWA’s Pension actuary, provided summaries of the January 2021 valuation reports, assumptions, and contributions that will be used for FY 2022.

Mr. Krayter reported that the plans are in good standing and are set to reach the fully funded target taking into consideration volatility, underperformance and rates.

After discussion, the Actuary recommended for approval:

- a contribution of \$1,077,926 to the South Central Connecticut Regional Water Authority’s Union Employees’ Retirement Plan, effective for the actuarial valuation of January 1, 2021; and
- that the South Central Connecticut Regional Water Authority’s Union Employees’ Retirement Plan be changed from the PubG-2010 Total Employee and Annuitant with Scale MP-2019 generational improvements (M/F) to the PubG-2010 Total Employee and Annuitant with Scale MP-2020 generational improvements (M/F), effective for the actuarial valuation of January 1, 2021; and
- a contribution of \$2,142,513 to the South Central Connecticut Regional Water Authority’s Salaried Employees’ Retirement Plan, effective for the actuarial valuation of January 1, 2021; and
- that the South Central Connecticut Regional Water Authority’s Salaried Employees’ Retirement Plan be changed from the PubG-2010 Above Median Employee and Annuitant with Scale MP-2019 generational improvements (M/F) to the PubG-2010 Above Median Employee and Annuitant with Scale MP-2020 generational improvements (M/F), effective for the actuarial valuation of January 1, 2021; and

- a contribution of \$1,734,198 to the South Central Connecticut Regional Water Authority's Retired Employees' Contributory Welfare Trust, effective for the actuarial valuation of January 1, 2021; and
- the South Central Connecticut Regional Water Authority's Retired Employees' Contributory Welfare Trust be changed from the PubG.H.-2010 Employee and Healthy Annuitant with Scale MP-2019 generational improvements (M/F) to the PubG.H.-2010 Employee and Healthy Annuitant with Scale MP-2020 generational improvements (M/F), effective as of the actuarial valuation of January 1, 2021; and
- an increase of \$1,094,561 as a combined contribution to the South Central Connecticut Retirement Plan and the South Central Connecticut Regional Water Authority Salaried Employees' Retirement Plan during fiscal year 2021.

Mr. Curseaden stated the importance of having a plan, explaining the plan, conducting due diligence, and having valid reasons for changes in the plan. Mr. Curseaden further stated his support for the proposed recommendations and appreciates the guidance and input from management and the consultants.

On motion made by Mr. Curseaden, seconded by Mr. Cermola, and unanimously carried, the Authority voted unanimously to recommend the proposed changes to the Authority.

Borowy	Aye
Cermola	Aye
Curseaden	Aye
DiSalvo	Aye
Sack	Aye

Messrs. Kelliher, of Morgan Stanley, RWA's Pension Investment Advisor, reported on the Authority's Quarterly Pension Investment Performance for its salaried plan, union plan, and RWA's Voluntary Employees Beneficiary Association Plan (VEBA), for the period ended March 31, 2021, which included:

- Degree of dispersion
- Market index
- Executive summary
- Current plan allocations and portfolio
- Investment results

Mr. Kelliher reported that the plans are healthy and trends are favorable with long-term returns in place. He recommended no changes as this time.

He stated that at the committee's next meeting in July he would like to review the Investment Policy Statement. As discussed last year, the statement should be reviewed bi-annually.

At 1:26 p.m., Messrs. Bauer, Kantapin, Kelliher, Krayter, and McLaughlin withdrew from the meeting.

The Committee reviewed and approved its FY 2022 Work Plan, as revised to add a review of the Investment Policy Statement in July.

At 1:28 p.m., on motion made by Mr. Borowy, seconded by Mr. Curseaden, and unanimously carried, the meeting adjourned.

Borowy	Aye
Cermola	Aye
Curseaden	Aye

South Central Connecticut Regional Water Authority  
Pension & Benefit Committee  
April 15, 2021

UNAPPROVED DRAFT

DiSalvo	Aye
Sack	Aye

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Suzanne Sack, Chairperson

**DRAFT ~~9/16~~ 7/21**  
**PENSION & BENEFIT COMMITTEE**

**Committee Purpose:**

Primary administrative and maintenance responsibility for the RWA's day-to-day pension management is vested in senior operating management as overseen by the RWA. The RWA chair shall annually designate one member of the RWA as Pension Committee chairperson. The purpose of the Committee is to assist the Regional Water Authority (RWA) in fulfilling its fiduciary responsibilities for oversight relating to, the RWA's Defined Benefit Pension Plan, Defined Contribution Plan and Voluntary Retired Employees' Contributory Welfare Trust (collectively, the "Employee Retirement Plans"). The Committee is complementary to but separate from, and does not supplant, the duties or functions of the Trustees of the Master Trust Agreement for South Central Connecticut Regional Water Authority; the Retirement Committee under the South Central Connecticut Regional Water Authority Salaried Employees' Retirement Plan; the Pension Committee under the South Central Connecticut Regional Water Authority Retirement Plan; the Administrative Committee under the Authority Voluntary Investment Plan; or the Trustees of the South Central Connecticut Regional Water Authority Retired Employees' Contributory Welfare Trust.

The Committee shall meet at least quarterly with further meetings to occur when deemed necessary or desirable by the Committee chairperson. The Committee shall consist of all members of the RWA meeting as a committee of the whole. Appropriate RWA management will attend meetings, at the invitation of the Committee chairperson, to provide required reports and presentations to the Committee.

**Committee Responsibilities:**

The Committee shall have the following duties and responsibilities:

1. Review the funding policy and investment policy and objectives for the Employee Retirement Plans based upon the recommendations of the investment advisory consultant.
2. Monitor asset management and investment performance of the Employee Retirement Plans through oversight of the investment advisory consultant.
3. Monitor actuarial assumptions used to estimate the projected liabilities of the Employee Retirement Plans.
4. Make recommendations to the RWA for changes and amendments to the Employee Retirement Plans.

**Commented [A1]:** This responsibility should include annual review of the 401k (included in the above definition of "Employee Retirement Plans" and also an at least every two year review of the Investment Policy statement.

**Commented [A2]:** This should include an at least annual review of the 401k

5. Monitor the general administration and maintenance of the Employees' Retirement Plans through collaborative oversight with management.
6. Periodically review the Committee's performance under this Charter and recommend changes when and where indicated.
7. Perform any other duties or responsibilities delegated to the Committee by the RWA.



South Central CT  
Regional Water Authority  
Defined Benefit Plans - Review

**Stephen Kelliher**

Managing Director  
Senior Portfolio Management Director  
Senior Institutional Consultant  
Corporate Client Group Director

781.681.4933  
Stephen.Kelliher@ms.com

**Joseph McLaughlin**

Senior Vice President  
Senior Institutional Consultant  
Corporate Retirement Director

781.681.4904  
Joseph.McLaughlin@ms.com

## Table of Contents

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	Section
Market Commentary	I.
IPS Executive Summary	II.
Asset Allocation & Investment Matrices	III.
Investment Results	IV.
Investment Holdings Analysis	V.
Appendix	VI.

The Kelliher Corbett Group  
at Morgan Stanley

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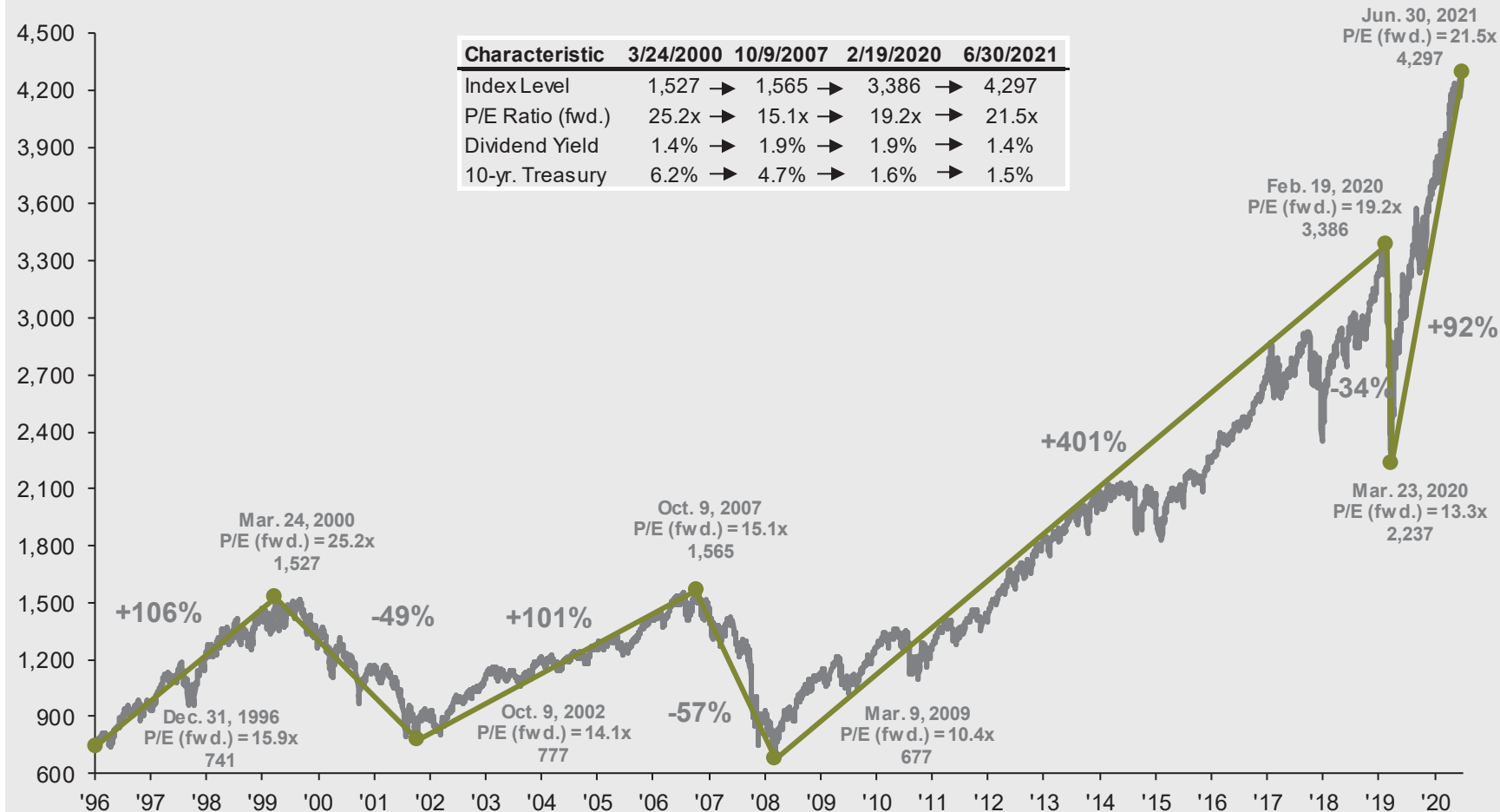
## Market Commentary

## S&P 500 Index at inflection points

GTM - U.S. | 4

Equities

### S&P 500 Price Index



Source: Compustat, FactSet, Federal Reserve, Standard & Poor's, J.P. Morgan Asset Management.

Dividend yield is calculated as consensus estimates of dividends for the next 12 months, divided by most recent price, as provided by Compustat.

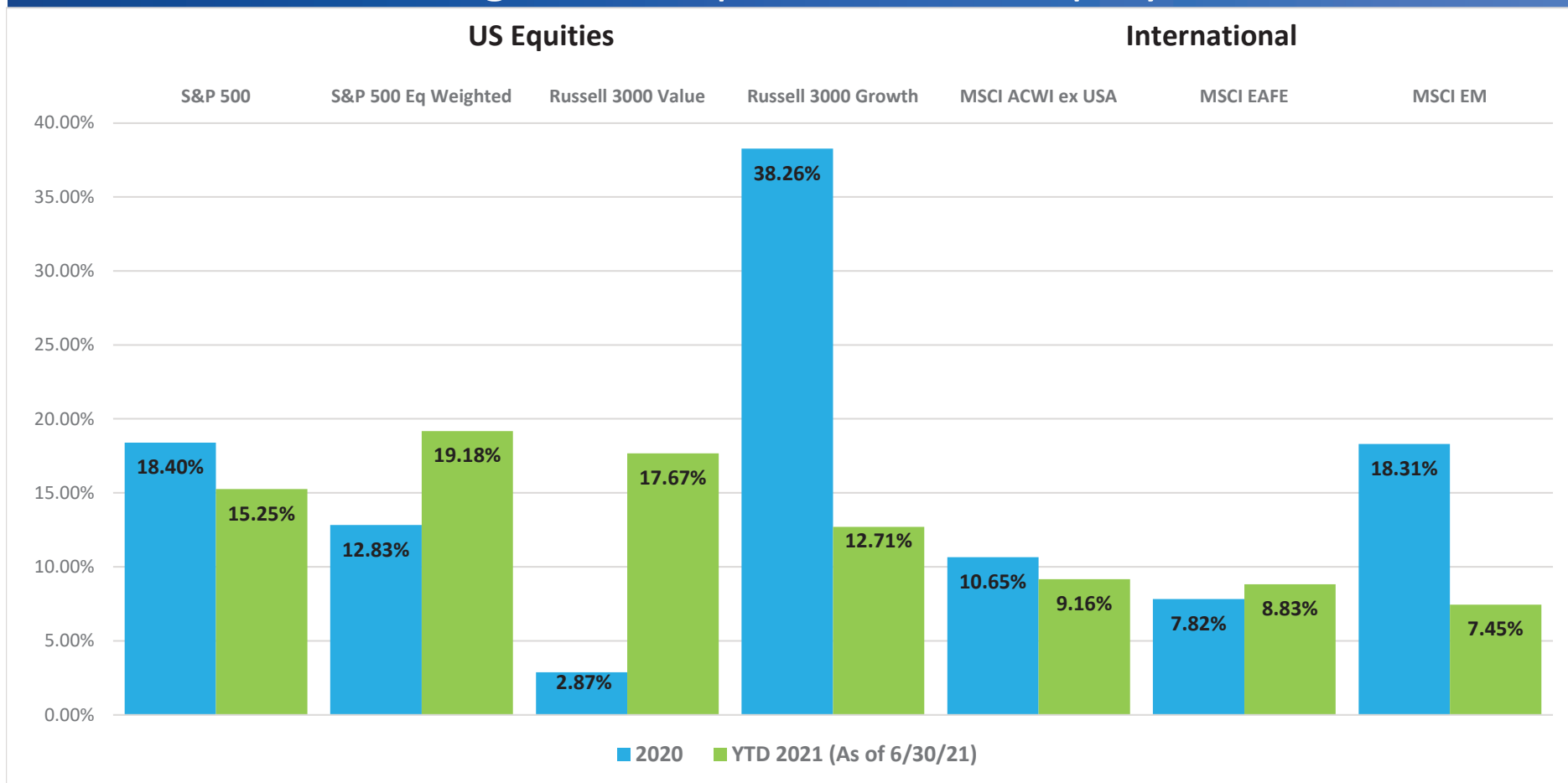
Forward price-to-earnings ratio is a bottom-up calculation based on J.P. Morgan Asset Management estimates. Returns are cumulative and based on

S&P 500 Index price movement only, and do not include the reinvestment of dividends. Past performance is not indicative of future returns.

Guide to the Markets – U.S. Data are as of June 30, 2021.

**J.P.Morgan**  
Asset Management

# Unusual Degree of Dispersion in the Equity Markets

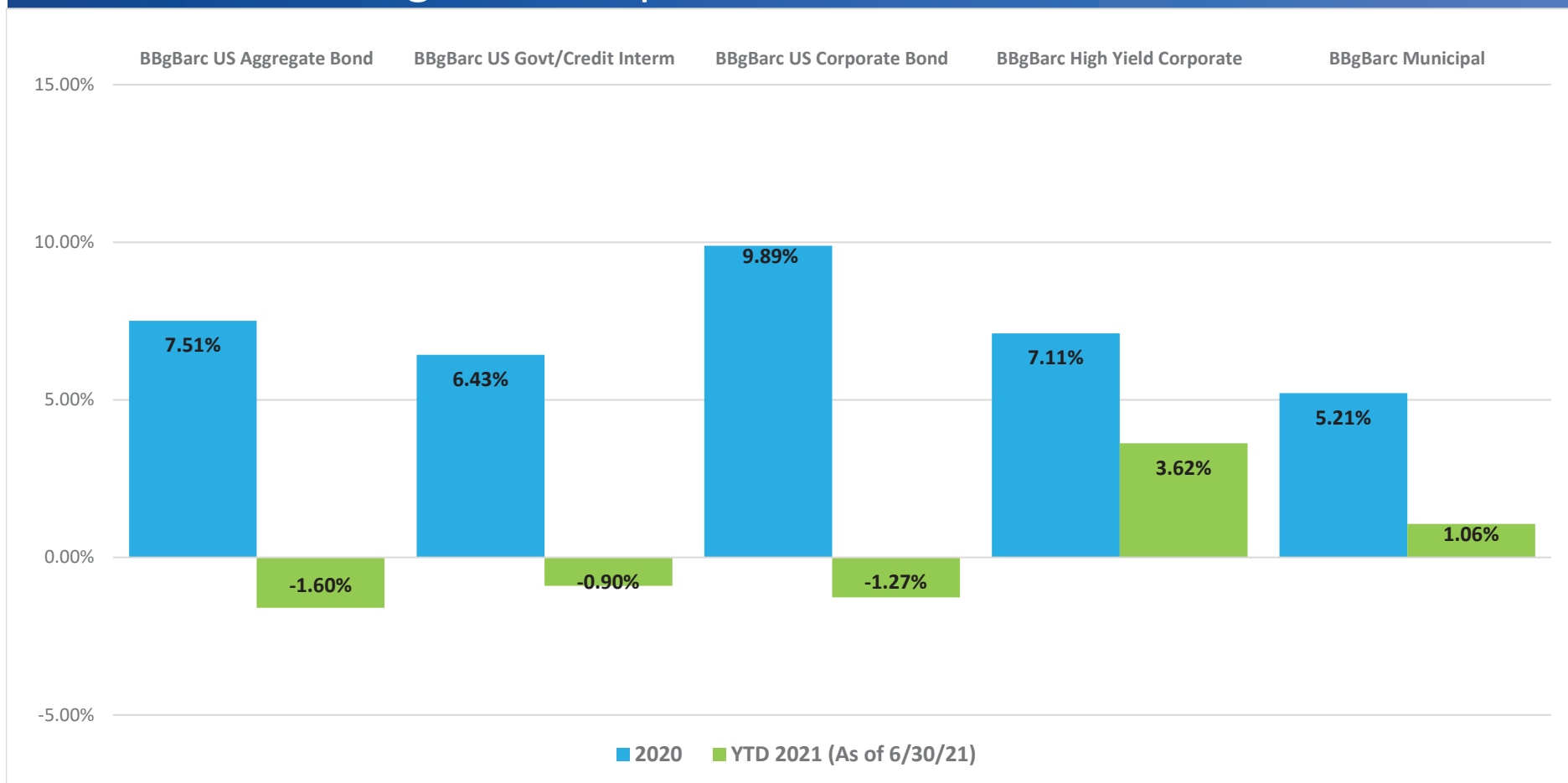


Data from Morningstar

The information and data contained in this report are from sources considered reliable, but their accuracy and completeness is not guaranteed. This report has been prepared for illustrative purposes only

An investment cannot be made directly in a market index

# Unusual Degree of Dispersion in the Fixed Income Markets



Data from Morningstar

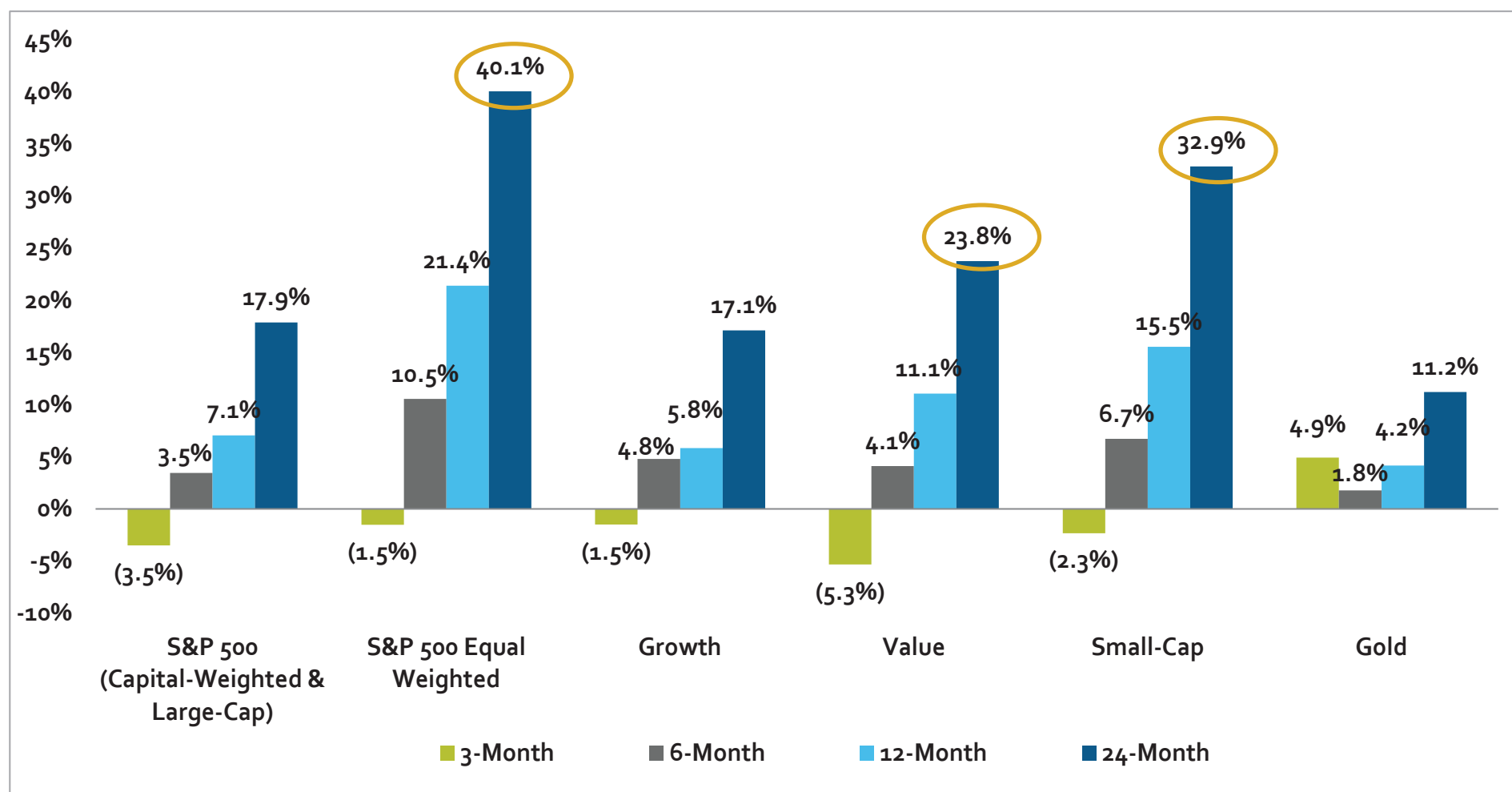
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An investment cannot be made directly in a market index

# Equal-Weighted, Value and Small-Cap Indexes Have Outperformed, Following Concentration Peaks in the Largest 5 Companies...

Average Subsequent Returns Following Largest 5 Company Peak Concentrations (1990-2020)\*

Historical Data from 1990 to 2020

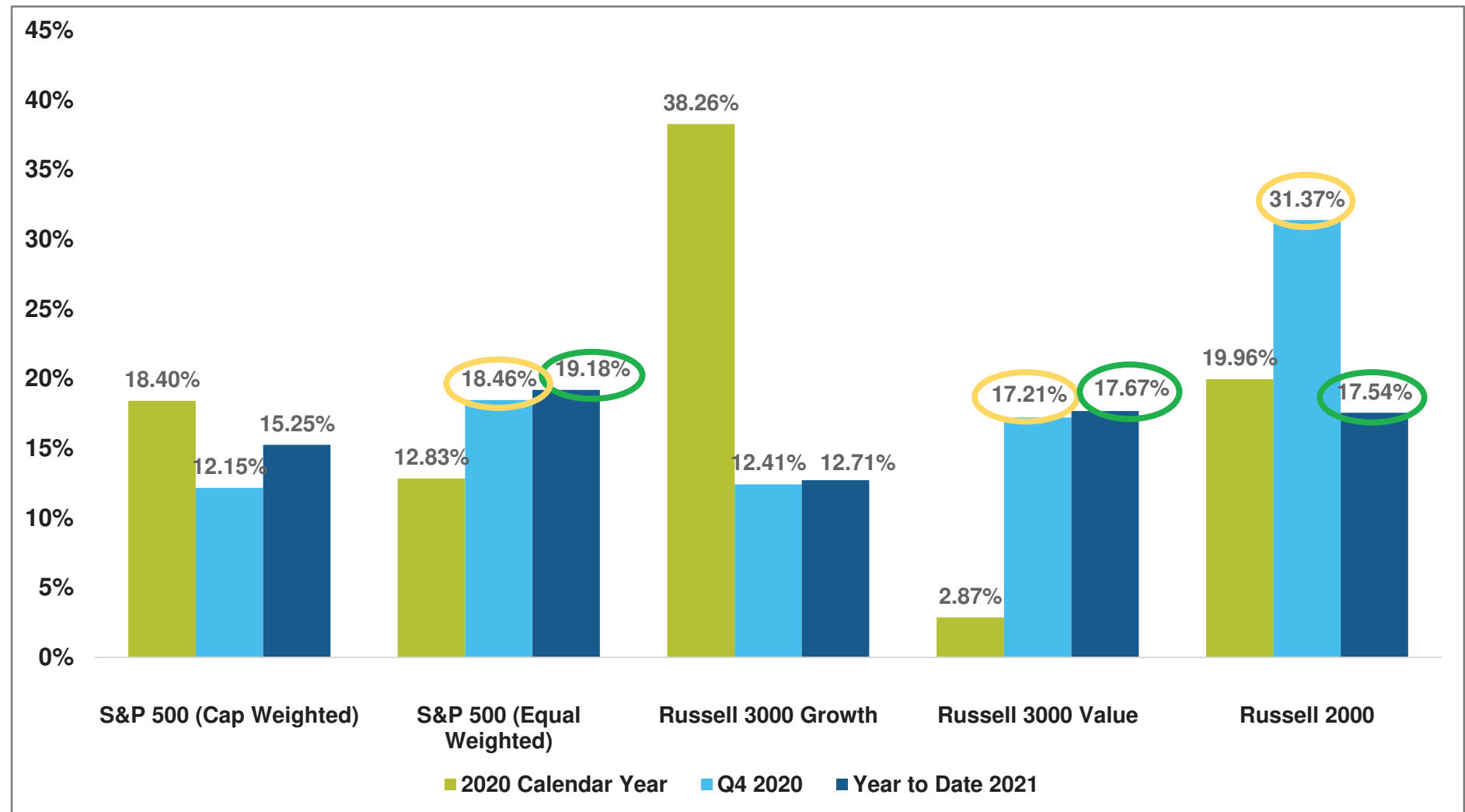


Source: Bloomberg, FactSet, Morgan Stanley Wealth Management Market Strategy. \*Peak Concentrations were in 2/29/91, 3/31/00, 11/30/08, and 12/31/12.

Past performance is no guarantee of future results. Estimates of future performance are based on assumptions that may not be realized. This material is not a solicitation of any offer to buy or sell any security or other financial instrument or to participate in any trading strategy. Please refer to important information, disclosures and qualifications at the end of this material.

## Equal-Weighted, Value, and Small-Cap Indexes have begun to outperform Capital-Weighted, Growth, and Large Cap Indexes

As of June 30, 2021



Source: Morningstar

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An investment cannot be made directly in a market index



# Current Indicators: Equity Valuation

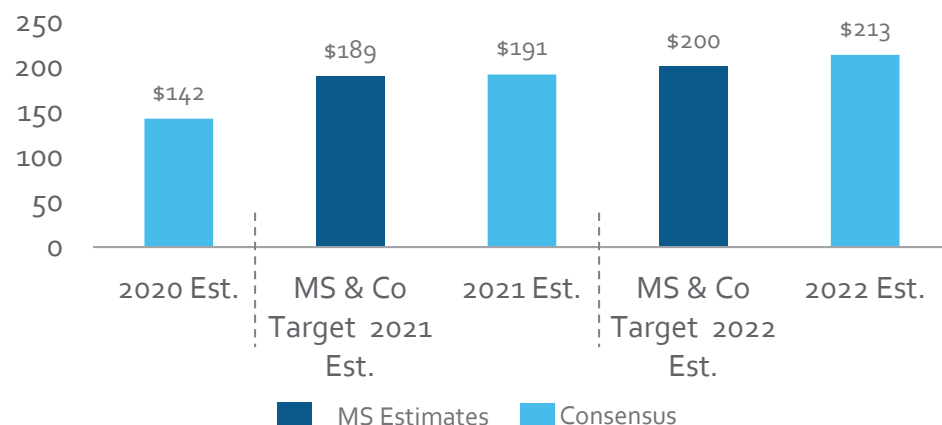
## Morgan Stanley & Co. 12M Forward S&P 500 Target

As of June 25, 2021

EPS Landscape	MS & Co Target 2022 EPS Est.	Multiple	Price Target	Upside / (Downside)
Bull Case	\$210	20.00	4,450	4.0%
Base Case	\$200	20.00	4,225	(1.3)%
Bear Case	\$189	19.00	3,800	(11.2)%
Current S&P 500 Price			4,281	

## Morgan Stanley & Co. and Consensus S&P 500 Earnings Estimates

As of June 25, 2021



## S&P 500 Current and Historical Valuation

As of June 25, 2021

	Current	Tech Bubble	Financial Crisis	20-Year Average	Current Relative to Average
S&P 500 Trailing P/E	30.3	28.9	12.1	18.9	1.61
S&P 500 Forward P/E	22.7	26.6	11.2	15.2	1.49
Technology	27.9	53.6	13.1	22.3	1.25
Consumer Discretionary	34.6	22.7	33.0	19.9	1.74
Communication Services	23.0	31.5	11.3	17.1	1.34
Industrials	27.7	20.5	8.5	17.4	1.59
Real Estate	51.8	-	-	-	-
Financials	14.3	12.5	9.6	14.5	0.99
Consumer Staples	21.5	16.0	11.7	17.4	1.23
Energy	-	20.3	11.6	20.6	-
Utilities	18.7	13.3	9.8	14.9	1.25
Materials	18.1	12.3	14.2	17.8	1.02
Health Care	17.3	24.2	9.3	17.8	0.97

Source: FactSet, Bloomberg, Morgan Stanley Wealth Management GIC

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The Kelliher Corbett Group  
at Morgan Stanley

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## IPS Executive Summary

## South Central Connecticut Regional Water Authority **EXECUTIVE SUMMARY**

<b>Plans Names:</b>	This Investment Policy Statement covers three separate portfolios for the South Central Connecticut Regional Water Authority ("the Plans") <ol style="list-style-type: none"><li>1. South Central Connecticut Regional Water Authority Salaried Employees' Retirement Plan</li><li>2. South Central Connecticut Regional Water Authority Retirement Plan</li><li>3. South Central Connecticut Regional Water Authority Retired Employees' Contributory Welfare Trust (VEBA)</li></ol>			
<b>Plan Trustee:</b>	Broadridge Matrix Trust Company			
<b>Primary Investment Custodian:</b>	Morgan Stanley & Co			
<b>Pension Payroll Custodian:</b>	Broadridge Matrix Trust Company			
<b>Plan Administrator:</b>	Regional Water Authority Board			
<b>Plan Actuary:</b>	The Angell Pension Group, Inc.			
<b>Plan Advisor:</b>	The Kelliher Corbett Group at Morgan Stanley			
<b>Primary Objectives:</b>	1) Milestone goal of being fully funded, for the pension plans by end of Fiscal Year 2023, excluding ongoing plan service costs, subject to prevailing market conditions 2) To achieve a long-term rate of return that meets the assumed actuarial rate of return			
<b>Target Rate of Return:</b>	To meet the assumed actuarial rate of return			
<b>Time Horizon:</b>	Aligned with actuarial liabilities of the South Central Connecticut Regional Water Authority Pension plans and VEBA			
<b>Asset Allocation:</b>	<b>Asset Class</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Preferred</b>
	Equities	45%	60%	55%
	Fixed Income	20%	45%	30%
	Alternative/Hedge/Balanced	5%	20%	15%
	The maximum allowable allocation to illiquid securities is 10%			
	When investing in alternative investments, the VEBA plan permits the use of liquid investments only			
<b>Cash Limits:</b>	The investor wishes to maintain sufficient liquidity to fund benefit obligations			
<b>Restrictions:</b>	Average bond quality rated Investment Grade or Better (excluding mutual fund/ETFs) Maximum Average Bond Maturity: 20 years Maximum Individual Bond Maturity: 30 years Maximum Portion of Portfolio in a Single Diversified Fund: 20% Maximum Portion of Portfolio in a Single Security/Individual Company: 3% (excluding U.S. Government Securities)			
<b>Meeting Frequency:</b>	Quarterly			

The Kelliher Corbett Group  
at Morgan Stanley

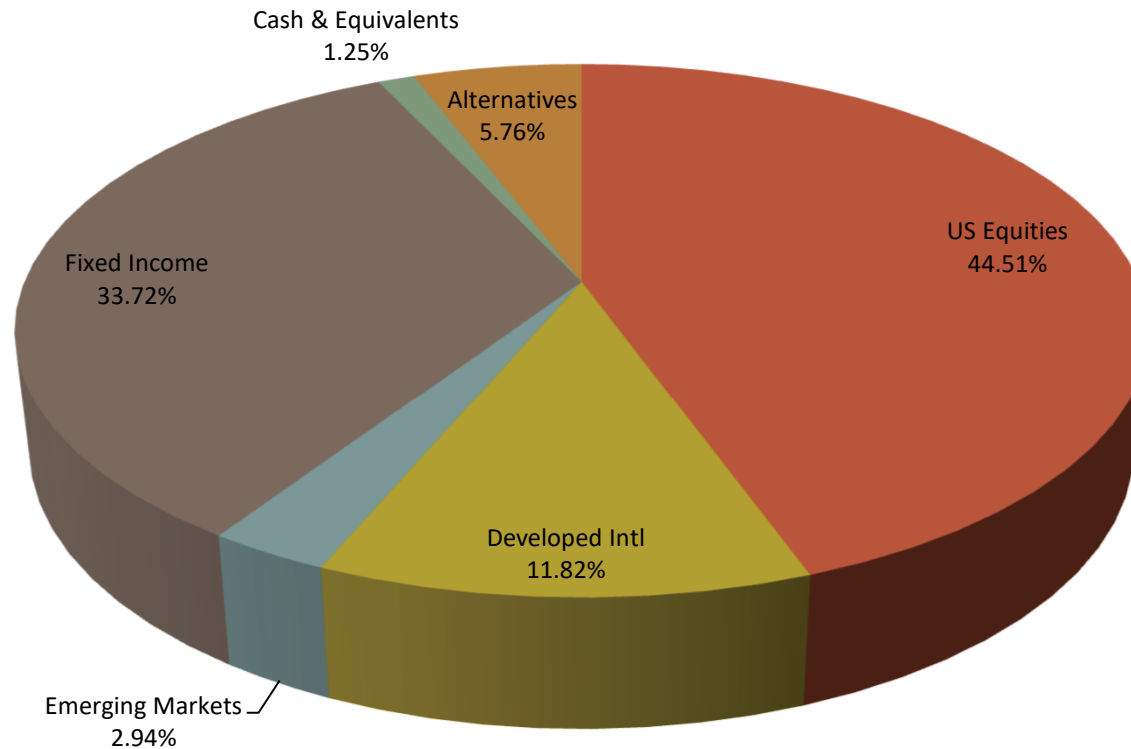
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## Asset Allocation & Investment Matrices

# SCCT Regional Water Authority - Salary & Union Plans

## Current Allocation

Portfolio Value: \$71,681,538



## Total Equity

59.27%

### % of Total Equity

US Equity = 75.09%

Intl Equity = 24.91%

### % of Intl Equity

Developed Intl = 80.08%

Emerging Markets = 19.92%

### Overall Equity Style Analysis\*

Value = 23.45%

Core = 46.69%

Growth = 29.86%

### US Equity Style Analysis\*

Value = 24.99%

Core = 47.16%

Growth = 27.85%

## Assets as of 6/30/2021

The information and data contained in this report are from sources considered reliable, but their accuracy and completeness is not guaranteed. This report has been prepared for illustrative purposes only and is not intended to be used as a substitute for monthly transaction statements you receive on a regular basis from Morgan Stanley & Co. Incorporated Please compare the data on this document carefully with your monthly statements to verify its accuracy. The Company strongly encourages you to consult with your own accountants or other advisors with respect to any tax questions."

\*Equity Style Analysis provided by Morningstar "Asset Scan"

SCCT Regional Water Authority - Salary & Union Plans  
Asset Allocation Matrix Summary  
As of 6/30/2021

As of 6/30/2021	IPS Target %	Target \$	Target %	Actual \$	Actual %	\$ +/-	% +/-
Fixed Income	30%	\$ 23,834,111	33.25%	\$ 22,676,770	31.64%	\$ 1,157,342	1.61%
US Equity	55%	\$ 25,267,742	35.25%	\$ 26,581,482	37.08%	\$ (1,313,740)	-1.83%
Global		\$ 2,867,262	4.00%	\$ 2,921,046	4.08%	\$ (53,785)	-0.08%
Int'l Equity		\$ 8,960,192	12.50%	\$ 8,790,526	12.26%	\$ 169,667	0.24%
Balanced	15%	\$ 6,451,338	9.00%	\$ 6,577,850	9.18%	\$ (126,512)	-0.18%
Alternative		\$ 4,300,892	6.00%	\$ 4,133,864	5.77%	\$ 167,028	0.23%
Total	100%	\$ 71,681,538	100.00%	\$ 71,681,538	100.00%	\$ 0	0.00%

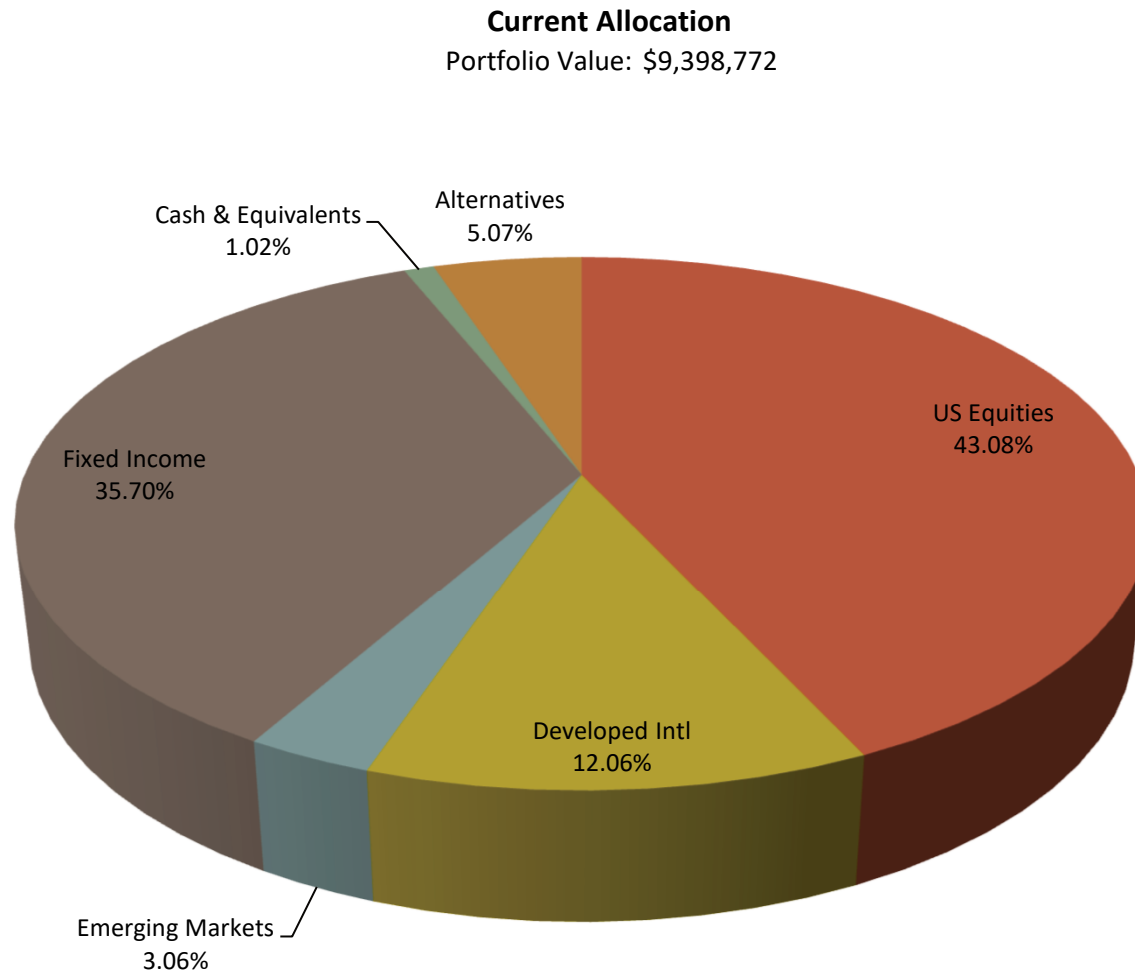
Summary							
Total Cash/Fixed		\$ 26,414,647	36.85%	\$ 25,307,910	35.31%	\$ 1,106,737	1.54%
Total Equity		\$ 40,965,999	57.15%	\$ 42,239,764	58.93%	\$ (1,273,765)	-1.78%
Total Alternative (Balanced Allocated)		\$ 4,300,892	6.00%	\$ 4,133,864	5.77%	\$ 167,028	0.23%
Total		\$ 71,681,538	100.00%	\$ 71,681,538	100.00%	\$ 0	0.00%

Total Cash/Fixed		\$ 23,834,111	33.25%	\$ 22,676,770	31.64%	\$ 1,157,342	1.61%
Total Equity		\$ 37,095,196	51.75%	\$ 38,293,054	53.42%	\$ (1,197,858)	-1.67%
Total Balanced/Alternative		\$ 10,752,231	15.00%	\$ 10,711,714	14.94%	\$ 40,516	0.06%
Total		\$ 71,681,538	100.00%	\$ 71,681,538	100.00%	\$ 0	0.00%

Benchmark vs Actual				
		Benchmark	Actual	+/-
Russell 3000		42.00%	44.63%	2.63%
MSCI ACWI ex US		15.00%	14.30%	-0.70%
BBgBarc US Aggregate		31.00%	34.67%	3.67%
FTSE WGBI		3.00%	0.00%	-3.00%
HFRI FOF		5.00%	4.85%	-0.15%
Global Real Estate		2.00%	0.92%	-1.08%
Cash & Equivalents/T-Bills		2.00%	0.63%	-1.37%
Total		100.00%	100.00%	0.00%

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# SCCT Regional Water Authority - VEBA Plan



Total Equity	
58.21%	
<u>% of Total Equity</u>	
US Equity	= 74.01%
Intl Equity	= 25.99%
<u>% of Intl Equity</u>	
Developed Intl	= 79.74%
Emerging Markets	= 20.26%
<u>Overall Equity Style Analysis*</u>	
Value	= 23.27%
Core	= 46.68%
Growth	= 30.05%
<u>US Equity Style Analysis*</u>	
Value	= 24.96%
Core	= 47.15%
Growth	= 27.87%

## Assets as of 6/30/2021

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SCCT Regional Water Authority - VEBA Plan  
Asset Allocation Matrix Summary  
As of 6/30/2021

As of 6/30/2021	IPS Target %	Target \$	Target %	Actual \$	Actual %	\$ +/-	% +/-
Fixed Income	30%	\$ 3,219,079	34.25%	\$ 3,140,621	33.42%	\$ 78,459	0.83%
US Equity	55%	\$ 3,313,067	35.25%	\$ 3,358,672	35.74%	\$ (45,605)	-0.49%
Global		\$ 375,951	4.00%	\$ 374,505	3.98%	\$ 1,446	0.02%
Int'l Equity		\$ 1,174,847	12.50%	\$ 1,192,119	12.68%	\$ (17,273)	-0.18%
Balanced	15%	\$ 845,889	9.00%	\$ 854,215	9.09%	\$ (8,326)	-0.09%
Alternative		\$ 469,939	5.00%	\$ 478,639	5.09%	\$ (8,700)	-0.09%
Total	100%	\$ 9,398,772	100.00%	\$ 9,398,772	100.00%	\$ (0)	0.00%

Summary							
Total Cash/Fixed		\$ 3,557,435	37.85%	\$ 3,482,307	37.05%	\$ 75,128	0.80%
Total Equity		\$ 5,371,398	57.15%	\$ 5,437,826	57.86%	\$ (66,428)	-0.71%
Total Alternative (Balanced Allocated)		\$ 469,939	5.00%	\$ 478,639	5.09%	\$ (8,700)	-0.09%
Total		\$ 9,398,772	100.00%	\$ 9,398,772	100.00%	\$ (0)	0.00%

Total Cash/Fixed		\$ 3,219,079	34.25%	\$ 3,140,621	33.42%	\$ 78,459	0.83%
Total Equity		\$ 4,863,865	51.75%	\$ 4,925,297	52.40%	\$ (61,432)	-0.65%
Total Balanced/Alternative		\$ 1,315,828	14.00%	\$ 1,332,854	14.18%	\$ (17,026)	-0.18%
Total		\$ 9,398,772	100.00%	\$ 9,398,772	100.00%	\$ (0)	0.00%

Benchmark vs Actual				
		Benchmark	Actual	+/-
Russell 3000		42.00%	43.18%	1.18%
MSCI ACWI ex US		15.00%	14.68%	-0.32%
BBgBarc US Aggregate		31.00%	36.13%	5.13%
FTSE WGBI		3.00%	0.00%	-3.00%
HFRI FOF		5.00%	4.21%	-0.79%
Global Real Estate		2.00%	0.88%	-1.12%
Cash & Equivalents/T-Bills		2.00%	0.92%	-1.08%
Total		100.00%	100.00%	0.00%

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The Kelliher Corbett Group  
at Morgan Stanley

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## Investment Results

SCCT Regional Water Authority  
Fiscal Year Investment Results  
May 31, 2020 - May 31, 2021

Account Number	Account Type	Beg. Asset Value 31-May-2020	Net Deposits/Withdrawals	Transfers	Net Invested	Ending Asset Value 31-May-2021	Net \$ Gain/Loss	Gain/Loss (net) %	Gain/Loss (gross) %
447-xxx450	Salaried	\$35,727,773	\$0	(\$972,679)	\$34,755,094	\$43,071,370	\$8,316,276	23.61%	24.07%
447-xxx451	Union	\$22,015,361	\$0	(\$519,277)	\$21,496,084	\$26,647,073	\$5,150,989	23.64%	24.09%
447-xxx456	VEBA	\$7,173,562	\$0	\$0	\$7,173,562	\$8,932,536	\$1,758,974	24.52%	24.98%
447-xxx626	Skybridge (Salaried)	\$522,547	\$0	\$0	\$522,547	\$671,666	\$149,119	28.54%	28.54%
447-xxx627	Skybridge (Union)	\$350,925	\$0	\$0	\$350,925	\$450,994	\$100,068	28.52%	28.52%
axx15a	Matrix Trust (Salaried)	\$54,231	(\$279,463)	\$1,144,767	\$919,536	\$919,536	\$0	-	-
axx15b	Matrix Trust (Union)	\$111,384	(\$678,004)	\$659,276	\$92,656	\$92,656	\$0	-	-
axx16	Matrix Trust(VEBA)	\$496,889	\$400,607	(\$312,088)	\$585,408	\$585,408	\$0	-	-
Consolidated		\$66,452,674	(\$556,861)	\$0	\$65,895,813	\$81,371,240	\$15,475,426	23.79%	24.23%

May 31, 2020 - May 31, 2021

Actuarial Assumed Rate of Return

Actuarial Assumed Rate of Return (Current): 6.75%	6.75%
Actuarial Assumed Rate of Return (Prior to 5/31/2021): 7.00%	7.00%
Guidelines/Benchmarks - Market Cap Weighted	
<b>With Cash Reserve:</b> 40%R3000, 13%MSCI ACWxUS, 31%BBgBarc Agg, 3% FTSE WGBI, 5% HFRI FOF, 1% Global RE, 7% T-Bills	24.33%
<b>Least Equity Risk:</b> 34%R3000, 11%MSCI ACWxUS, 39%BBgBarc Agg, 4% FTSE WGBI, 9% HFRI FOF, 1% Global RE, 2% T-Bills	21.64%
<b>Strategic:</b> 42%R3000, 15%MSCI ACWxUS, 31%BBgBarc Agg, 3% FTSE WGBI, 5% HFRI FOF, 2% Global RE, 2% T-Bills	26.36%
<b>Most Equity Risk:</b> 44%R3000, 16%MSCI ACWxUS, 16%BBgBarc Agg, 2% FTSE WGBI, 15% HFRI FOF, 5% Global RE, 2% T-Bills	30.62%
Guidelines/Benchmarks - Equal Weighted	
<b>With Cash Reserve:</b> 40%S&P 500 Equal Weighted, 13%MSCI ACWxUS, 31%BBgBarc Agg, 3% FTSE WGBI, 5% HFRI FOF, 1% Global RE, 7% T-Bills	27.91%
<b>Least Equity Risk:</b> 34%S&P 500 Equal Weighted, 11%MSCI ACWxUS, 39%BBgBarc Agg, 4% FTSE WGBI, 9% HFRI FOF, 1% Global RE, 2% T-Bills	24.68%
<b>Strategic:</b> 42%S&P 500 Equal Weighted, 15%MSCI ACWxUS, 31%BBgBarc Agg, 3% FTSE WGBI, 5% HFRI FOF, 2% Global RE, 2% T-Bills	30.12%
<b>Most Equity Risk:</b> 44%S&P 500 Equal Weighted, 16%MSCI ACWxUS, 16%BBgBarc Agg, 2% FTSE WGBI, 15% HFRI FOF, 5% Global RE, 2% T-Bills	34.56%

Russell 3000	43.80%
S&P 500	40.22%
S&P 500 Equal Weight	52.74%
Russell 1000 Value	44.27%
Russell 1000	42.56%
Russell 1000 Growth	39.83%
Russell 2000	64.40%
MSCI All Country World ex. US	42.67%
MSCI EAFE	38.32%
MSCI EM	50.87%
BBgBarc Aggregate	-0.40%
BBgBarc Govt/Credit Intermediate	0.73%
BBgBarc US Corp Bond	3.63%
HFRI Fund of Funds Index	19.99%
DJ Global World Real Estate	30.74%
Morningstar US Real Asset	21.14%
FTSE WGBI Index	2.48%
30 Day T-Bill	0.07%

Performance for accounts held outside of Morgan Stanley are calculated using simple math

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SCCT Regional Water Authority  
2nd Quarter Investment Results  
March 31, 2021 - June 30, 2021

Account Number	Account Type	Beg. Asset Value 31-Mar-2021	Net Deposits/Withdrawals	Transfers	Net Invested	Ending Asset Value 30-Jun-2021	Net \$ Gain/Loss	Gain/Loss (net) %	Gain/Loss (gross) %
447-xxx450	Salaried	\$41,314,126	\$0	\$354,305	\$41,668,431	\$43,707,129	\$2,038,697	4.93%	5.03%
447-xxx451	Union	\$25,660,274	\$0	(\$71,539)	\$25,588,735	\$26,844,708	\$1,255,973	4.90%	5.00%
447-xxx456	VEBA	\$8,575,985	\$0	\$400,000	\$8,975,985	\$9,398,772	\$422,788	4.91%	5.01%
447-xxx626	Skybridge (Salaried)*	\$699,985	\$0	\$0	\$699,985	\$675,880	(\$24,105)	-3.41%	-3.41%
447-xxx627	Skybridge (Union)*	\$469,997	\$0	\$0	\$469,997	\$453,821	(\$16,176)	-3.41%	-3.41%
axx15a	Matrix Trust (Salaried)	(\$111,811)	\$684,816	(\$316,372)	\$256,634	\$256,634	\$0	-	-
axx15b	Matrix Trust (Union)	(\$47,954)	(\$117,570)	\$100,000	(\$65,525)	(\$65,525)	\$0	-	-
axx16	Matrix Trust(VEBA)	\$503,295	\$55,190	(\$466,394)	\$92,091	\$92,091	\$0	-	-
Consolidated		\$77,063,897	\$622,436	\$0	\$77,686,332	\$81,363,510	\$3,677,177	4.79%	4.88%

March 31, 2021 - June 30, 2021

Actuarial Assumed Rate of Return

Actuarial Assumed Rate of Return (Current): 6.75% x (3/12)	1.69%
Actuarial Assumed Rate of Return (Prior to 5/31/2021): 7.00% x (3/12)	1.75%
Guidelines/Benchmarks - Market Cap Weighted	
<b>With Cash Reserve:</b> 41%R3000, 14%MSCI ACWxUS, 32%BBgBarc Agg, 3% FTSE WGBI, 5% HFRI FOF, 1% Global RE, 4% T-Bills	4.95%
<b>Least Equity Risk:</b> 34%R3000, 11%MSCI ACWxUS, 39%BBgBarc Agg, 4% FTSE WGBI, 9% HFRI FOF, 1% Global RE, 2% T-Bills	4.44%
<b>Strategic:</b> 42%R3000, 15%MSCI ACWxUS, 31%BBgBarc Agg, 3% FTSE WGBI, 5% HFRI FOF, 2% Global RE, 2% T-Bills	5.15%
<b>Most Equity Risk:</b> 44%R3000, 16%MSCI ACWxUS, 16%BBgBarc Agg, 2% FTSE WGBI, 15% HFRI FOF, 5% Global RE, 2% T-Bills	5.55%
Guidelines/Benchmarks - Equal Weighted	
<b>With Cash Reserve:</b> 41%S&P 500 Equal Weighted, 14%MSCI ACWxUS, 32%BBgBarc Agg, 3% FTSE WGBI, 5% HFRI FOF, 1% Global RE, 4% T-Bills	4.40%
<b>Least Equity Risk:</b> 34%S&P 500 Equal Weighted, 11%MSCI ACWxUS, 39%BBgBarc Agg, 4% FTSE WGBI, 9% HFRI FOF, 1% Global RE, 2% T-Bills	3.98%
<b>Strategic:</b> 42%S&P 500 Equal Weighted, 15%MSCI ACWxUS, 31%BBgBarc Agg, 3% FTSE WGBI, 5% HFRI FOF, 2% Global RE, 2% T-Bills	4.59%
<b>Most Equity Risk:</b> 44%S&P 500 Equal Weighted, 16%MSCI ACWxUS, 16%BBgBarc Agg, 2% FTSE WGBI, 15% HFRI FOF, 5% Global RE, 2% T-Bills	4.96%

Russell 3000	8.24%
S&P 500	8.55%
S&P 500 Equal Weight	6.90%
Russell 1000 Value	5.21%
Russell 1000	8.54%
Russell 1000 Growth	11.93%
Russell 2000	4.29%
MSCI All Country World ex. US	5.48%
MSCI EAFE	5.17%
MSCI EM	5.05%
BBgBarc Aggregate	1.83%
BBgBarc Govt/Credit Intermediate	0.98%
BBgBarc US Corp Bond	3.55%
HFRI Fund of Funds Index*	2.21%
DJ Global World Real Estate	8.11%
Morningstar US Real Asset	7.69%
FTSE WGBI Index	0.98%
30 Day T-Bill	0.00%

Performance for accounts held outside of Morgan Stanley are calculated using simple math

\*Skybridge estimated as of 6/30/2021 & HFRI FOF as of 5/31/2021

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SCCT Regional Water Authority  
Year to Date Investment Results  
December 31, 2020 - June 30, 2021

Account Number	Account Type	Beg. Asset Value 31-Dec-2020	Net Deposits/Withdrawals	Transfers	Net Invested	Ending Asset Value 30-Jun-2021	Net \$ Gain/Loss	Gain/Loss (net) %	Gain/Loss (gross) %
447-xxx450	Salaried	\$40,737,707	\$0	\$26,776	\$40,764,484	\$43,707,129	\$2,942,645	7.26%	7.45%
447-xxx451	Union	\$25,201,563	\$0	(\$172,816)	\$25,028,748	\$26,844,708	\$1,815,960	7.23%	7.42%
447-xxx456	VEBA	\$8,388,467	\$0	\$400,000	\$8,788,467	\$9,398,772	\$610,305	7.26%	7.45%
447-xxx626	Skybridge (Salaried)*	\$624,695	\$0	\$0	\$624,695	\$675,880	\$51,185	8.16%	8.16%
447-xxx627	Skybridge (Union)*	\$419,473	\$0	\$0	\$419,473	\$453,821	\$34,348	8.16%	8.16%
axx15a	Matrix Trust (Salaried)	\$173,424	\$34,814	\$48,396	\$256,634	\$256,634	\$0	-	-
axx15b	Matrix Trust (Union)	\$102,411	(\$397,936)	\$230,000	(\$65,525)	(\$65,525)	\$0	-	-
axx16	Matrix Trust(VEBA)	\$579,055	\$45,392	(\$532,356)	\$92,091	\$92,091	\$0	-	-
Consolidated		\$76,226,796	(\$317,730)	\$0	\$75,909,066	\$81,363,510	\$5,454,444	7.27%	7.45%

December 31, 2020 - June 30, 2021

Actuarial Assumed Rate of Return

Actuarial Assumed Rate of Return (Current): 6.75% x (6/12) 3.38%

Actuarial Assumed Rate of Return (Prior to 5/31/2021): 7.00% x (6/12) 3.50%

Guidelines/Benchmarks - Market Cap Weighted

**With Cash Reserve:** 41%R3000, 14%MSCI ACWxUS, 32%BBgBarc Agg, 3% FTSE WGBI, 5% HFRI FOF, 1% Global RE, 4% T-Bills 7.18%

**Least Equity Risk:** 34%R3000, 11%MSCI ACWxUS, 39%BBgBarc Agg, 4% FTSE WGBI, 9% HFRI FOF, 1% Global RE, 2% T-Bills 5.87%

**Strategic:** 42%R3000, 15%MSCI ACWxUS, 31%BBgBarc Agg, 3% FTSE WGBI, 5% HFRI FOF, 2% Global RE, 2% T-Bills 7.58%

**Most Equity Risk:** 44%R3000, 16%MSCI ACWxUS, 16%BBgBarc Agg, 2% FTSE WGBI, 15% HFRI FOF, 5% Global RE, 2% T-Bills 9.11%

Guidelines/Benchmarks - Equal Weighted

**With Cash Reserve:** 41%S&P 500 Equal Weighted, 14%MSCI ACWxUS, 32%BBgBarc Agg, 3% FTSE WGBI, 5% HFRI FOF, 1% Global RE, 4% T-Bills 8.85%

**Least Equity Risk:** 34%S&P 500 Equal Weighted, 11%MSCI ACWxUS, 39%BBgBarc Agg, 4% FTSE WGBI, 9% HFRI FOF, 1% Global RE, 2% T-Bills 7.25%

**Strategic:** 42%S&P 500 Equal Weighted, 15%MSCI ACWxUS, 31%BBgBarc Agg, 3% FTSE WGBI, 5% HFRI FOF, 2% Global RE, 2% T-Bills 9.29%

**Most Equity Risk:** 44%S&P 500 Equal Weighted, 16%MSCI ACWxUS, 16%BBgBarc Agg, 2% FTSE WGBI, 15% HFRI FOF, 5% Global RE, 2% T-Bills 10.91%

	Russell 3000	15.11%
	S&P 500	15.25%
	S&P 500 Equal Weight	19.18%
	Russell 1000 Value	17.05%
	Russell 1000	14.95%
	Russell 1000 Growth	12.99%
	Russell 2000	8.98%
	MSCI All Country World ex. US	9.16%
	MSCI EAFE	8.83%
	MSCI EM	7.45%
	BBgBarc Aggregate	-1.60%
	BBgBarc Govt/Credit Intermediate	-0.90%
	BBgBarc US Corp Bond	-1.27%
	HFRI Fund of Funds Index*	4.41%
	DJ Global World Real Estate	13.80%
	Morningstar US Real Asset	14.24%
	FTSE WGBI Index	-4.75%
	30 Day T-Bill	0.01%

Performance for accounts held outside of Morgan Stanley are calculated using simple math

\*Skybridge estimated as of 6/30/2021 & HFRI FOF as of 5/31/2021

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SCCT Regional Water Authority  
Trailing Twelve Month Investment Results  
June 30, 2020 - June 30, 2021

Account Number	Account Type	Beg. Asset Value 30-Jun-2020	Net Deposits/Withdrawals	Transfers	Net Invested	Ending Asset Value 30-Jun-2021	Net \$ Gain/Loss	Gain/Loss (net) %	Gain/Loss (gross) %
447-xxx450	Salaried	\$36,042,610	\$0	(\$378,063)	\$35,664,547	\$43,707,129	\$8,042,582	22.49%	22.94%
447-xxx451	Union	\$22,392,512	\$0	(\$530,175)	\$21,862,337	\$26,844,708	\$4,982,370	22.53%	22.98%
447-xxx456	VEBA	\$7,302,446	\$0	\$400,000	\$7,702,446	\$9,398,772	\$1,696,326	23.21%	23.66%
447-xxx626	Skybridge (Salaried)*	\$541,474	\$0	\$0	\$541,474	\$675,880	\$134,406	24.69%	24.69%
447-xxx627	Skybridge (Union)*	\$363,626	\$0	\$0	\$363,626	\$453,821	\$90,195	24.67%	24.67%
axx15a	Matrix Trust (Salaried)	\$255,340	(\$537,102)	\$538,396	\$256,634	\$256,634	\$0	-	-
axx15b	Matrix Trust (Union)	\$53,675	(\$778,476)	\$659,276	(\$65,525)	(\$65,525)	(\$0)	-	-
axx16	Matrix Trust(VEBA)	\$434,433	\$347,092	(\$689,435)	\$92,091	\$92,091	\$0	-	-
Consolidated		\$67,386,116	(\$968,486)	\$0	\$66,417,630	\$81,363,510	\$14,945,880	22.62%	23.05%

June 30, 2020 - June 30, 2021

Actuarial Assumed Rate of Return

Actuarial Assumed Rate of Return (Current): 6.75%	6.75%
Actuarial Assumed Rate of Return (Prior to 5/31/2021): 7.00%	7.00%

Guidelines/Benchmarks - Market Cap Weighted

<b>With Cash Reserve:</b> 40%R3000, 13%MSCI ACWxUS, 31%BBgBarc Agg, 3% FTSE WGBI, 5% HFRI FOF, 1% Global RE, 7% T-Bills	23.52%
<b>Least Equity Risk:</b> 34%R3000, 11%MSCI ACWxUS, 39%BBgBarc Agg, 4% FTSE WGBI, 9% HFRI FOF, 1% Global RE, 2% T-Bills	20.93%
<b>Strategic:</b> 42%R3000, 15%MSCI ACWxUS, 31%BBgBarc Agg, 3% FTSE WGBI, 5% HFRI FOF, 2% Global RE, 2% T-Bills	25.40%
<b>Most Equity Risk:</b> 44%R3000, 16%MSCI ACWxUS, 16%BBgBarc Agg, 2% FTSE WGBI, 15% HFRI FOF, 5% Global RE, 2% T-Bills	29.54%

Guidelines/Benchmarks - Equal Weighted

<b>With Cash Reserve:</b> 40%S&P 500 Equal Weighted, 13%MSCI ACWxUS, 31%BBgBarc Agg, 3% FTSE WGBI, 5% HFRI FOF, 1% Global RE, 7% T-Bills	26.14%
<b>Least Equity Risk:</b> 34%S&P 500 Equal Weighted, 11%MSCI ACWxUS, 39%BBgBarc Agg, 4% FTSE WGBI, 9% HFRI FOF, 1% Global RE, 2% T-Bills	23.16%
<b>Strategic:</b> 42%S&P 500 Equal Weighted, 15%MSCI ACWxUS, 31%BBgBarc Agg, 3% FTSE WGBI, 5% HFRI FOF, 2% Global RE, 2% T-Bills	28.15%
<b>Most Equity Risk:</b> 44%S&P 500 Equal Weighted, 16%MSCI ACWxUS, 16%BBgBarc Agg, 2% FTSE WGBI, 15% HFRI FOF, 5% Global RE, 2% T-Bills	32.42%

Russell 3000	44.16%
S&P 500	40.79%
S&P 500 Equal Weight	50.71%
Russell 1000 Value	43.68%
Russell 1000	43.07%
Russell 1000 Growth	42.50%
Russell 2000	62.03%
MSCI All Country World ex. US	35.72%
MSCI EAFE	32.35%
MSCI EM	40.90%
BBgBarc Aggregate	-0.33%
BBgBarc Govt/Credit Intermediate	0.19%
BBgBarc US Corp Bond	3.30%
HFRI Fund of Funds Index*	19.99%
DJ Global World Real Estate	28.59%
Morningstar US Real Asset	21.13%
FTSE WGBI Index	0.76%
30 Day T-Bill	0.06%

Performance for accounts held outside of Morgan Stanley are calculated using simple math

\*Skybridge estimated as of 6/30/2021 & HFRI FOF as of 5/31/2021

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SCCT Regional Water Authority  
Trailing Three Year Investment Results  
June 30, 2018 - June 30, 2021

Account Number	Account Type	Beg. Asset Value 30-Jun-2018	Net Deposits/Withdrawals	Transfers	Net Invested	Ending Asset Value 30-Jun-2021	Net \$ Gain/Loss	Gain/Loss (net) %	Gain/Loss (gross) %
447-xxx450	Salaried	\$31,594,366	\$0	\$993,556	\$32,587,922	\$43,707,129	\$11,119,206	10.24%	10.66%
447-xxx451	Union	\$20,958,040	\$0	(\$983,510)	\$19,974,530	\$26,844,708	\$6,870,177	10.17%	10.59%
447-xxx456	VEBA	\$5,779,889	\$0	\$1,334,134	\$7,114,022	\$9,398,772	\$2,284,750	10.16%	10.58%
447-xxx626	Skybridge (Salaried)*	\$637,242	\$0	\$0	\$637,242	\$675,880	\$38,639	1.78%	1.78%
447-xxx627	Skybridge (Union)*	\$427,888	\$0	\$0	\$427,888	\$453,821	\$25,933	1.78%	1.78%
axx15a	Matrix Trust (Salaried)	\$384,345	\$447,639	(\$575,350)	\$256,634	\$256,634	\$0	-	-
axx15b	Matrix Trust (Union)	\$66,545	(\$1,478,374)	\$1,346,304	(\$65,525)	(\$65,525)	\$0	-	-
axx16	Matrix Trust(VEBA)	\$327,575	\$1,879,649	(\$2,115,133)	\$92,091	\$92,091	(\$0)	-	-
Consolidated		\$60,175,890	\$848,915	\$0	\$61,024,805	\$81,363,510	\$20,338,705	10.07%	10.48%

June 30, 2018 - June 30, 2021

Actuarial Assumed Rate of Return

<b>Actuarial Assumed Rate of Return (Current): 6.75%</b>	6.75%
<b>Actuarial Assumed Rate of Return (Prior to 5/31/2021): 7.00%</b>	7.00%

Guidelines/Benchmarks - Market Cap Weighted

<b>Least Equity Risk:</b> 34%R3000, 11%MSCI ACWxUS, 39%BBgBarc Agg, 4% FTSE WGBI, 9% HFRI FOF, 1% Global RE, 2% T-Bills	10.27%
<b>Strategic:</b> 42%R3000, 15%MSCI ACWxUS, 31%BBgBarc Agg, 3% FTSE WGBI, 5% HFRI FOF, 2% Global RE, 2% T-Bills	11.52%
<b>Most Equity Risk:</b> 44%R3000, 16%MSCI ACWxUS, 16%BBgBarc Agg, 2% FTSE WGBI, 15% HFRI FOF, 5% Global RE, 2% T-Bills	11.98%

Guidelines/Benchmarks - Equal Weighted

<b>Least Equity Risk:</b> 34%S&P 500 Equal Weighted, 11%MSCI ACWxUS, 39%BBgBarc Agg, 4% FTSE WGBI, 9% HFRI FOF, 1% Global RE, 2% T-Bills	9.48%
<b>Strategic:</b> 42%S&P 500 Equal Weighted, 15%MSCI ACWxUS, 31%BBgBarc Agg, 3% FTSE WGBI, 5% HFRI FOF, 2% Global RE, 2% T-Bills	10.54%
<b>Most Equity Risk:</b> 44%S&P 500 Equal Weighted, 16%MSCI ACWxUS, 16%BBgBarc Agg, 2% FTSE WGBI, 15% HFRI FOF, 5% Global RE, 2% T-Bills	10.96%

	Russell 3000	18.73%
	S&P 500	18.67%
	S&P 500 Equal Weight	16.41%
	Russell 1000 Value	12.42%
	Russell 1000	19.16%
	Russell 1000 Growth	25.14%
	Russell 2000	13.52%
	MSCI All Country World ex. US	9.38%
	MSCI EAFE	8.27%
	MSCI EM	11.27%
	BBgBarc Aggregate	5.34%
	BBgBarc Govt/Credit Intermediate	4.70%
	BBgBarc US Corp Bond	7.79%
	HFRI Fund of Funds Index*	5.97%
	DJ Global World Real Estate	7.90%
	Morningstar US Real Asset	6.20%
	FTSE WGBI Index	3.59%
	30 Day T-Bill	1.23%

Performance for accounts held outside of Morgan Stanley are calculated using simple math

\*Skybridge estimated as of 6/30/2021 & HFRI FOF as of 5/31/2021

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SCCT Regional Water Authority  
Trailing Five Year Investment Results  
June 30, 2016 - June 30, 2021

Account Number	Account Type	Beg. Asset Value 30-Jun-2016	Net Deposits/Withdrawals	Transfers	Net Invested	Ending Asset Value 30-Jun-2021	Net \$ Gain/Loss	Gain/Loss (net) %	Gain/Loss (gross) %
447-xxx450	Salaried	\$23,665,331	\$0	\$4,200,043	\$27,865,374	\$43,707,129	\$15,841,755	9.82%	10.25%
447-xxx451	Union	\$17,011,919	\$0	(\$390,979)	\$16,620,939	\$26,844,708	\$10,223,769	9.80%	10.22%
447-xxx456	VEBA	\$3,981,133	\$0	\$2,256,436	\$6,237,569	\$9,398,772	\$3,161,203	9.76%	10.19%
447-xxx626	Skybridge (Salaried)*	\$450,528	\$0	\$100,434	\$550,962	\$675,880	\$124,918	4.62%	4.62%
447-xxx627	Skybridge (Union)*	\$325,381	\$0	\$40,314	\$365,695	\$453,821	\$88,127	4.63%	4.63%
axx15a	Matrix Trust (Salaried)	\$13,068	\$3,750,791	(\$3,507,224)	\$256,634	\$256,634	\$0	-	-
axx15b	Matrix Trust (Union)	\$41,258	(\$1,097,031)	\$990,248	(\$65,525)	(\$65,525)	\$0	-	-
axx16	Matrix Trust(VEBA)	\$43,861	\$3,737,500	(\$3,689,270)	\$92,091	\$92,091	\$0	-	-
Consolidated		\$45,532,478	\$6,391,260	\$0	\$51,923,738	\$81,363,510	\$29,439,772	9.73%	10.14%

June 30, 2016 - June 30, 2021

Actuarial Assumed Rate of Return

<b>Actuarial Assumed Rate of Return (Current): 6.75%</b>	6.75%
<b>Actuarial Assumed Rate of Return (Prior to 5/31/2021): 7.00%</b>	7.00%

Guidelines/Benchmarks - Market Cap Weighted

<b>Least Equity Risk:</b> 34%R3000, 11%MSCI ACWxUS, 39%BBgBarc Agg, 4% FTSE WGBI, 9% HFRI FOF, 1% Global RE, 2% T-Bills	9.17%
<b>Strategic:</b> 42%R3000, 15%MSCI ACWxUS, 31%BBgBarc Agg, 3% FTSE WGBI, 5% HFRI FOF, 2% Global RE, 2% T-Bills	10.62%
<b>Most Equity Risk:</b> 44%R3000, 16%MSCI ACWxUS, 16%BBgBarc Agg, 2% FTSE WGBI, 15% HFRI FOF, 5% Global RE, 2% T-Bills	11.42%

Guidelines/Benchmarks - Equal Weighted

<b>Least Equity Risk:</b> 34%S&P 500 Equal Weighted, 11%MSCI ACWxUS, 39%BBgBarc Agg, 4% FTSE WGBI, 9% HFRI FOF, 1% Global RE, 2% T-Bills	8.42%
<b>Strategic:</b> 42%S&P 500 Equal Weighted, 15%MSCI ACWxUS, 31%BBgBarc Agg, 3% FTSE WGBI, 5% HFRI FOF, 2% Global RE, 2% T-Bills	9.70%
<b>Most Equity Risk:</b> 44%S&P 500 Equal Weighted, 16%MSCI ACWxUS, 16%BBgBarc Agg, 2% FTSE WGBI, 15% HFRI FOF, 5% Global RE, 2% T-Bills	10.45%

	Russell 3000	17.89%
	S&P 500	17.65%
	S&P 500 Equal Weight	15.68%
	Russell 1000 Value	11.87%
	Russell 1000	17.99%
	Russell 1000 Growth	23.66%
	Russell 2000	16.47%
	MSCI All Country World ex. US	11.08%
	MSCI EAFE	10.28%
	MSCI EM	13.03%
	BBgBarc Aggregate	3.03%
	BBgBarc Govt/Credit Intermediate	2.63%
	BBgBarc US Corp Bond	4.90%
	HFRI Fund of Funds Index*	5.91%
	DJ Global World Real Estate	7.06%
	Morningstar US Real Asset	4.69%
	FTSE WGBI Index	1.66%
	30 Day T-Bill	1.08%

Performance for accounts held outside of Morgan Stanley are calculated using simple math

\*Skybridge estimated as of 6/30/2021 & HFRI FOF as of 5/31/2021

The information and data contained in this report are from sources considered reliable, but their accuracy and completeness is not guaranteed. This report has been prepared for illustrative purposes only and is not intended to be used as a substitute for monthly transaction statements you receive on a regular basis from Morgan Stanley & Co. Incorporated Please compare the data on this document carefully with your monthly statements to verify its accuracy. The Company strongly encourages you to consult with your own accountants or other advisors with any tax questions.

SCCT Regional Water Authority  
Trailing Six Year Investment Results  
June 30, 2015 - June 30, 2021

Account Number	Account Type	Beg. Asset Value 30-Jun-2015	Net Deposits/Withdrawals	Transfers	Net Invested	Ending Asset Value 30-Jun-2021	Net \$ Gain/Loss	Gain/Loss (net) %	Gain/Loss (gross) %
447-xxx450	Salaried	\$22,152,018	\$0	\$5,546,894	\$27,698,912	\$43,707,129	\$16,008,216	8.24%	8.66%
447-xxx451	Union	\$16,182,376	\$0	\$320,289	\$16,502,665	\$26,844,708	\$10,342,043	8.22%	8.64%
447-xxx456	VEBA	\$2,772,135	\$0	\$3,406,637	\$6,178,772	\$9,398,772	\$3,220,000	8.07%	8.49%
447-xxx626	Skybridge (Salaried)**	\$0	\$0	\$550,434	\$550,434	\$675,880	\$125,446	4.05%	4.05%
447-xxx627	Skybridge (Union)**	\$0	\$0	\$365,314	\$365,314	\$453,821	\$88,508	4.29%	4.29%
axx15a	Matrix Trust (Salaried)	\$564,338	\$5,071,916	(\$5,379,620)	\$256,634	\$256,634	\$0	-	-
axx15b	Matrix Trust (Union)	\$296,133	(\$276,680)	(\$84,978)	(\$65,525)	(\$65,525)	(\$0)	-	-
axx16	Matrix Trust(VEBA)	\$291,205	\$4,525,856	(\$4,724,970)	\$92,091	\$92,091	(\$0)	-	-
Consolidated		\$42,258,205	\$9,321,091	\$0	\$51,579,296	\$81,363,510	\$29,784,214	8.15%	8.56%

June 30, 2015 - June 30, 2021

Actuarial Assumed Rate of Return

<b>Actuarial Assumed Rate of Return (Current): 6.75%</b>	6.75%
<b>Actuarial Assumed Rate of Return (Prior to 5/31/2021): 7.00%</b>	7.00%

Guidelines/Benchmarks - Market Cap Weighted

<b>Least Equity Risk:</b> 34%R3000, 11%MSCI ACWxUS, 39%BBgBarc Agg, 4% FTSE WGBI, 9% HFRI FOF, 1% Global RE, 2% T-Bills	7.84%
<b>Strategic:</b> 42%R3000, 15%MSCI ACWxUS, 31%BBgBarc Agg, 3% FTSE WGBI, 5% HFRI FOF, 2% Global RE, 2% T-Bills	8.96%
<b>Most Equity Risk:</b> 44%R3000, 16%MSCI ACWxUS, 16%BBgBarc Agg, 2% FTSE WGBI, 15% HFRI FOF, 5% Global RE, 2% T-Bills	9.34%

Guidelines/Benchmarks - Equal Weighted

<b>Least Equity Risk:</b> 34%S&P 500 Equal Weighted, 11%MSCI ACWxUS, 39%BBgBarc Agg, 4% FTSE WGBI, 9% HFRI FOF, 1% Global RE, 2% T-Bills	7.27%
<b>Strategic:</b> 42%S&P 500 Equal Weighted, 15%MSCI ACWxUS, 31%BBgBarc Agg, 3% FTSE WGBI, 5% HFRI FOF, 2% Global RE, 2% T-Bills	8.25%
<b>Most Equity Risk:</b> 44%S&P 500 Equal Weighted, 16%MSCI ACWxUS, 16%BBgBarc Agg, 2% FTSE WGBI, 15% HFRI FOF, 5% Global RE, 2% T-Bills	8.60%

	Russell 3000	15.15%
	S&P 500	15.29%
	S&P 500 Equal Weight	13.46%
	Russell 1000 Value	10.34%
	Russell 1000	15.39%
	Russell 1000 Growth	20.02%
	Russell 2000	12.33%
	MSCI All Country World ex. US	7.16%
	MSCI EAFE	6.44%
	MSCI EM	8.64%
	BBgBarc Aggregate	3.52%
	BBgBarc Govt/Credit Intermediate	2.91%
	BBgBarc US Corp Bond	5.41%
	HFRI Fund of Funds Index*	3.43%
	DJ Global World Real Estate	7.39%
	Morningstar US Real Asset	4.46%
	FTSE WGBI Index	3.22%
	30 Day T-Bill	0.92%

Performance for accounts held outside of Morgan Stanley are calculated using simple math

\*\*Skybridge accounts opened on 4/25/2016

\*Skybridge estimated as of 6/30/2021 & HFRI FOF as of 5/31/2021

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The Kelliher Corbett Group  
at Morgan Stanley

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## Investment Holdings Analysis

# Mutual Funds/ETFs

## Results

Data as of 6/30/2021	Morningstar Category	Market Returns (%)						\$ Assets	% of Total
		3 Month	YTD	1-Yr	3-Yr	5-Yr	10-Yr		
Cash & Equivalents									
Cash & Equivalents		-	-	-	-	-	-	\$ 995,504	1.23%
Fixed Income									
Guggenheim Limited Duration Instl	Short-Term Bond	0.87	0.39	● 3.16	● 3.47	● 3.34	-	\$ 257,410	0.32%
Vanguard Short-Term Bond ETF	Short-Term Bond	0.30	-0.29	● 0.35	● 3.65	● 2.12	● 1.89	\$ 373,828	0.46%
Cat: Short-Term Bond	Short-Term Bond	0.56	0.44		3.38	2.40	2.01		
PIMCO Investment Grade Credit Bond I-2	Corporate Bond	3.37	-1.08	● 4.16	● 7.02	● 5.05	● 5.62	\$ -	0.00%
Cat: Corporate Bond	Corporate Bond	3.14	-0.67		7.37	4.80	4.92		
American Funds Bond Fund of Amer F2	Intermediate Core Bond	1.73	-1.23	● 1.33	● 6.46	● 3.79	● 3.84	\$ 2,403,312	2.96%
Cat: Intermediate Core Bond	Intermediate Core Bond	1.77	-1.22		5.26	3.02	3.31		
American Funds Strategic Bond F-2	Intermediate Core-Plus Bond	2.22	-1.70	● 1.42	● 8.57	● 5.27	-	\$ 3,274,668	4.04%
DoubleLine Core Fixed Income I	Intermediate Core-Plus Bond	1.86	-0.25	● 3.33	● 4.70	● 3.29	● 4.23	\$ 2,935,606	3.62%
Janus Henderson Flexible Bond I	Intermediate Core-Plus Bond	2.22	-1.10	● 2.56	● 6.58	● 3.91	● 4.04	\$ 252,712	0.31%
Loomis Sayles Core Plus Bond Y	Intermediate Core-Plus Bond	1.95	-1.20	● 2.28	● 6.20	● 4.46	● 4.66	\$ 2,337,461	2.88%
Pioneer Bond Y	Intermediate Core-Plus Bond	2.38	0.45	● 6.57	● 6.40	● 4.46	● 4.41	\$ 470,185	0.58%
Cat: Intermediate Core-Plus Bond	Intermediate Core-Plus Bond	1.99	-0.61		5.69	3.75	3.84		
PIMCO Income I2	Multisector Bond	1.98	1.79	● 9.48	● 5.54	● 5.70	● 6.87	\$ 2,390,491	2.95%
Cat: Multisector Bond	Multisector Bond	2.15	1.94		5.23	4.63	4.32		
Idx: BBgBarc US Agg Bond TR USD	-	1.83	-1.60	-0.33	5.34	3.03	3.39		
Idx: BBgBarc US Govt/Credit Interm TR USD	-	0.98	-0.90	0.19	4.70	2.63	2.76		
Idx: FTSE WGBI USD	-	0.98	-4.75	0.76	3.59	1.66	1.42		
Sub-Total Fixed Income								\$ 14,695,673	18.12%
US Equity									
Columbia Dividend Income Inst	Large Value	5.84	15.26	● 35.99	● 15.54	● 14.21	● 13.06	\$ 4,531,966	5.59%
ProShares S&P 500 Dividend Aristocrats	Large Value	5.69	14.56	● 37.55	● 15.86	● 13.19	-	\$ 3,351,044	4.13%
Vanguard Value ETF	Large Value	5.25	16.80	● 41.27	● 12.84	● 13.03	● 12.27	\$ 1,683,885	2.08%
Cat: Large Value	Large Value	5.51	17.52		11.93	12.07	10.95		
Goldman Sachs Equal Wght US Lg Cp Eq ETF	Large Blend	8.36	16.90	● 46.75	● 17.25	-	-	\$ 3,872,736	4.78%
Vanguard Total Stock Market ETF	Large Blend	8.28	15.25	● 44.32	● 18.75	● 17.90	● 14.70	\$ 7,627,129	9.41%
Cat: Large Blend	Large Blend	7.55	14.84		16.77	16.15	13.21		
MFS Massachusetts Inv Gr Stk I	Large Growth	8.72	12.64	● 39.21	● 22.84	● 20.85	● 15.94	\$ 3,854,320	4.75%
Vanguard Russell 1000 Growth ETF	Large Growth	11.92	12.95	● 42.39	● 25.04	● 23.54	● 17.72	\$ 1,706,401	2.10%
Cat: Large Growth	Large Growth	10.28	12.38		22.56	21.98	15.99		
Schwab US Mid-Cap ETF™	Mid-Cap Blend	5.50	15.13	● 50.60	● 14.24	● 14.89	● 12.97	\$ 1,671,065	2.06%
Cat: Mid-Cap Blend	Mid-Cap Blend	5.47	17.04		13.15	13.75	11.35		
Janus Henderson Enterprise I	Mid-Cap Growth	4.71	9.83	● 41.22	● 18.24	● 18.93	● 15.28	\$ 1,641,610	2.02%
Cat: Mid-Cap Growth	Mid-Cap Growth	7.00	10.80		21.26	20.18	14.07		
Idx: Russell 3000 TR USD	-	8.24	15.11		18.73	17.89	14.70		
Idx: Russell 1000 Value TR USD	-	5.21	17.05		12.42	11.87	11.61		
Idx: Russell 1000 TR USD	-	8.54	14.95		19.16	17.99	14.90		
Idx: Russell 1000 Growth TR USD	-	11.93	12.99		25.14	23.66	17.87		
Idx: MSCI EM NR USD	-	5.05	7.45		11.27	13.03	4.28		
Idx: Morningstar Dividend Yield Focus TR USD	-	2.69	12.12		8.48	7.23	10.35		
Sub-Total US Equity								\$ 29,940,155	27.20%

● Green = exceeds peer group

● Yellow = trails peer group

□ Red = fails to meet criteria (on watch/remove and/or replacement)

Red = Fund removed in Q2

Orange = Fund position only held in VEBA

Assets as of 6/30/2021

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# Mutual Funds/ETFs/Hedge Fund

## Results

Data as of 6/30/2021

Data as of 6/30/2021	Morningstar	Market Returns (%)								\$	% of		
	Category	3 Month	YTD		1-Yr		3-Yr		5-Yr		10-Yr	Assets	Total
Global/International Equity													
Vanguard FTSE Developed Markets ETF	Foreign Large Blend	5.69	9.93	●	35.84	●	9.17	●	10.91	●	6.39	\$ 2,001,552	2.47%
Cat: Foreign Large Blend	Foreign Large Blend	5.12	9.07		33.76		8.50		10.08		5.80		
American Funds Europacific Growth F2	Foreign Large Growth	6.95	6.46	●	39.98	●	13.67	●	14.38	●	8.22	\$ 3,210,756	3.96%
MFS International Intrinsic Value I	Foreign Large Growth	6.77	4.91	●	25.17	●	13.24	●	12.84	●	10.99	\$ 3,177,178	3.92%
Cat: Foreign Large Growth	Foreign Large Growth	6.77	7.01		34.50		13.81		13.83		8.22		
Invesco Developing Markets Y	Diversified Emerging Mkts	5.62	6.49	●	37.16	●	11.49	●	13.82	●	5.99	\$ 1,593,159	1.96%
Cat: Diversified Emerging Mkts	Diversified Emerging Mkts	5.47	8.73		41.79		11.48		12.18		4.39		
First Eagle Global I	World Allocation	6.02	10.38	●	29.61	●	10.26	●	9.35	●	7.83	\$ 3,295,551	4.06%
Cat: World Allocation	World Allocation	4.82	8.60		25.33		8.02		8.06		6.03		
Idx: MSCI ACWI Ex USA NR USD	-	5.48	9.16		35.72		9.38		11.08		5.45		
Idx: MSCI ACWI NR USD	-	7.39	12.30		39.26		14.57		14.61		9.90		
Idx: MSCI EAFE NR USD	-	5.17	8.83		32.35		8.27		10.28		5.89		
Sub-Total Global/International Equity												\$ 13,278,196	16.38%
Balanced													
American Funds American Balanced F2	Allocation--50% to 70% Equity	5.46	9.50	●	22.84	●	11.93	●	11.16	●	10.58	\$ 3,711,377	4.58%
Janus Henderson Balanced I	Allocation--50% to 70% Equity	6.83	8.61	●	24.34	●	14.12	●	13.83	●	10.47	\$ 3,720,688	4.59%
Cat: Allocation--50% to 70% Equity	Allocation--50% to 70% Equity	5.21	9.69		27.06		11.00		10.26		8.34		
Sub-Total Balanced												\$ 7,432,065	9.17%
Alternative													
BlackRock Event Driven Equity Instl	Event Driven	1.89	2.60	●	8.62	●	6.38	●	6.23	●	7.52	\$ 856,115	1.06%
Cat: Event Driven	Event Driven	1.87	4.64		13.76		6.25		5.34		4.15		
Calamos Market Neutral Income I	Relative Value Arbitrage	1.33	2.71	●	7.08	●	4.74	●	4.86	●	4.25	\$ 862,691	1.06%
Cat: Relative Value Arbitrage	Relative Value Arbitrage	0.76	2.15		12.52		6.54		5.66		4.27		
JPMorgan Hedged Equity I	Options Trading	4.02	8.74	●	19.66	●	11.33	●	11.04		-	\$ 860,615	1.06%
Cat: Options Trading	Options Trading	3.58	6.64		16.67		6.96		6.01		4.42		
Cohen & Steers Global Realty I	Global Real Estate	10.18	16.14	●	37.57	●	10.70	●	8.42	●	7.75	\$ 926,518	1.14%
Cat: Global Real Estate	Global Real Estate	8.73	14.32		32.33		7.75		6.57		6.49		
SkyBridge Multi-Adviser HF Portfolios G*	Hedge Fund	-3.41	8.16	●	24.69	●	1.78	●	4.43	●	4.33	\$ 1,106,564	1.36%
Idx: HFRI FoF Composite*	-	2.21	4.41		19.99		5.97		5.91		3.66		
Idx: S&P 500 TR USD	-	8.55	15.25		40.79		18.67		17.65		14.84		
Idx: BBgBarc US Agg Bond TR USD	-	1.83	-1.60		-0.33		5.34		3.03		3.39		
Idx: Russell 3000 TR USD	-	8.24	15.11		44.16		18.73		17.89		14.70		
Idx: MSCI ACWI NR USD	-	7.39	12.30		39.26		14.57		14.61		9.90		
Idx: DJ Global World Real Estate TR USD	-	8.11	13.80		28.59		7.90		7.06		7.29		
Sub-Total Alternative												\$ 4,612,503	5.69%
Total												\$ 70,954,096	77.79%

● Green = exceeds peer group

● Yellow = trails peer group

□ Red = fails to meet criteria (on watch/remove and/or replacement)

\*Skybridge estimated as of 6/30/2021 & HFRI FOF as of 5/31/2021

Assets as of 6/30/2021

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# Mutual Funds/ETFs

## Statistics

Data as of 6/30/2021

	Expense Ratio	Beta 3 Yr vs. S&P or Barc Agg	Alpha 3 Yr vs. S&P or Barc Agg	Std 3 Yr	R2 3 Yr vs. S&P or Barc Agg	P/E Ratio	P/B Ratio	Geo Avg Mkt Cap \$MM	Mstar Risk 5 Yr
<b>Fixed Income</b>									
Guggenheim Limited Duration Instl	0.52	0.28	1.06	1.92	24	-	-	2183	Below Avg
Vanguard Short-Term Bond ETF	0.05	0.35	0.95	1.43	79	-	-	-	Below Avg
Cat: Short-Term Bond	0.71	0.38	0.63	2.86	32	-	-	-	-
PIMCO Investment Grade Credit Bond I-2	0.95	1.47	-0.08	7.50	45	4.7	0.1	3000	Average
Cat: Corporate Bond	0.69	1.37	0.62	7.16	48	-	-	-	-
American Funds Bond Fund of Amer F2	0.32	0.95	1.27	3.35	95	-	-	-	Below Avg
Cat: Intermediate Core Bond	0.61	0.96	0.07	3.70	84	-	-	-	-
American Funds Strategic Bond F-2	0.48	0.83	3.75	3.96	51	-	-	-	Average
DoubleLine Core Fixed Income I	0.48	0.92	-0.22	4.78	43	-	-	1119	Average
Janus Henderson Flexible Bond I	0.51	1.10	0.79	4.38	75	-	-	-	Average
Loomis Sayles Core Plus Bond Y	0.47	1.02	0.73	3.88	82	-	-	-	Below Avg
Pioneer Bond Y	0.45	1.11	0.71	6.43	35	16.0	1.8	269	High
Cat: Intermediate Core-Plus Bond	0.77	0.98	0.47	4.52	62	-	-	-	-
PIMCO Income I2	1.19	0.38	2.81	5.75	5	13.6	0.9	7771	Below Avg
Cat: Multisector Bond	1.04	0.73	1.31	7.55	16	16.6	1.5	52920	-
<b>US Equity</b>									
Columbia Dividend Income Inst	0.69	0.85	-0.48	16.30	94	23.6	4.0	126060	Low
ProShares S&P 500 Dividend Aristocrats	0.35	0.92	-1.11	17.96	90	25.1	3.8	51055	Below Avg
Vanguard Value ETF	0.04	0.98	-4.68	19.04	92	19.1	2.7	103137	Below Avg
Cat: Large Value	0.94	1.03	-6.03	20.29	88	19.8	2.7	116232	-
Goldman Sachs Equal Wght US Lg Cp Eq ETF	0.09	1.10	-2.52	20.80	96	25.0	3.8	43317	-
Vanguard Total Stock Market ETF	0.03	1.05	-0.56	19.41	99	25.2	4.1	105257	Above Avg
Cat: Large Blend	0.84	1.00	-1.58	19.00	95	25.6	5.0	256815	-
MFS Massachusetts Inv Gr Stk I	0.46	0.95	4.35	17.77	97	34.5	6.8	180032	Low
Vanguard Russell 1000 Growth ETF	0.08	1.03	5.06	19.79	92	34.4	11.5	279302	Average
Cat: Large Growth	0.99	1.01	3.25	20.03	89	33.9	8.1	304810	-
Schwab US Mid-Cap ETF™	0.04	1.22	-6.61	23.77	91	21.6	3.0	11247	Above Avg
Cat: Mid-Cap Blend	0.93	1.15	-6.47	22.69	88	23.5	3.1	11721	-
Janus Henderson Enterprise I	0.76	1.09	-1.41	21.23	91	30.6	4.3	18162	Below Avg
Cat: Mid-Cap Growth	1.08	1.12	1.02	23.08	82	34.7	6.0	17934	-

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Red = Fund removed in Q2

Orange = Fund position only held in VEBA

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# Mutual Funds/ETFs/Hedge Fund

## Statistics

Data as of 6/30/2021	Expense Ratio	Beta 3 Yr vs. S&P or Barc Agg	Alpha 3 Yr vs. S&P or Barc Agg	Std 3 Yr	R2 3 Yr vs. S&P or Barc Agg	P/E Ratio	P/B Ratio	Geo Avg Mkt Cap \$MM	Mstar Risk 5 Yr
<b>Global/International Equity</b>									
Vanguard FTSE Developed Markets ETF	0.05	1.04	-0.39	18.51	98	19.8	1.8	30403	Average
Cat: Foreign Large Blend	0.94	1.00	-0.70	18.05	95	20.4	2.1	54830	-
American Funds Europacific Growth F2	0.57	1.04	3.67	18.70	96	31.1	2.9	60652	Above Avg
MFS International Intrinsic Value I	0.73	0.71	5.63	13.70	82	31.5	3.7	36715	Low
Cat: Foreign Large Growth	1.07	0.92	4.65	17.40	87	29.2	3.9	61683	-
Invesco Developing Markets Y	0.97	1.00	2.10	18.35	92	29.2	3.8	67772	Below Avg
Cat: Diversified Emerging Mkts	1.22	1.01	2.17	19.80	82	19.1	2.6	66548	-
First Eagle Global I	0.86	1.26	-3.08	14.77	94	22.8	2.1	55189	Above Avg
Cat: World Allocation	1.18	1.10	-3.72	13.24	89	19.9	2.3	68473	-
<b>Balanced/Hedged Equity</b>									
American Funds American Balanced F2	0.36	0.93	1.26	10.74	97	26.3	3.6	138543	Below Avg
Janus Henderson Balanced I	0.65	0.95	3.06	11.26	92	31.5	6.5	235001	Below Avg
Cat: Allocation--50% to 70% Equity	1.06	1.09	-0.86	12.91	93	24.0	3.3	105563	-
<b>Alternative</b>									
BlackRock Event Driven Equity Instl	1.36	0.21	2.18	4.72	62	36.4	3.8	21279	Average
Cat: Event Driven	1.91	0.29	1.02	7.04	52	31.0	3.4	14015	-
Calamos Market Neutral Income I	0.98	0.18	0.94	3.47	85	28.5	4.1	179380	-
Cat: Relative Value Arbitrage	1.79	0.24	1.98	6.10	50	-	-	-	-
JPMorgan Hedged Equity I	0.60	0.39	4.34	7.87	79	25.3	4.4	206709	Below Avg
Cat: Options Trading	1.17	0.40	0.31	9.67	66	26.0	4.5	265218	-
Cohen & Steers Global Realty I	0.90	0.82	-0.96	17.61	70	22.0	1.6	12952	Below Avg
Cat: Global Real Estate	1.21	0.89	-4.42	18.60	74	20.8	1.4	12235	-
SkyBridge Multi-Adviser HF Portfolios G	1.97	0.47	-7.62	0.00	-	-	-	-	-

See last page for important disclosure/disclaimer

For financial professional and qualified plan sponsor use only

The performance shown in the preceding pages represents past performance. Past performance is no guarantee of future results and current performance may be higher or lower than the performance shown above. Investment returns, yields and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Returns of less than a year are cumulative and are not annualized and are calculated from January 1 of the reporting year. Average annual total returns are annualized and assume the reinvestment of all distributions at net asset value and the deductions of fund expenses. Data is from sources deemed reliable, however no guarantee may be made to their accuracy.

The information contained herein was prepared by your Financial Advisor and does not represent an official statement of your account at the Firm (or other outside custodians, if applicable). Please refer to your monthly statement for a complete record of your transactions, holdings and balances.

The information and data contained in this report are from sources considered reliable, but their accuracy and completeness is not guaranteed. This report has been prepared for illustrative purposes only and is not intended to be used as a substitute for monthly transaction statements you receive on a regular basis from Morgan Stanley Smith Barney LLC. Please compare the data on this document carefully with your monthly statements to verify its accuracy. The Company strongly encourages you to consult with your own accountants or other advisors with respect to any tax questions.

Assets as of 6/30/2021

Data Source: Morningstar; as of 6/30/2021

The Kelliher Corbett Group  
at Morgan Stanley

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## Appendix

# SCCT Regional Water Authority - Salary Plan

## Asset Allocation Matrix

As of 6/30/2021

	IPS Target %	Target \$	Target %	% of Cat	Actual \$	Actual %	% of Cat	+/- \$	+/- %
Fixed Income		\$ 14,757,350	33.25%	100.00%	\$ 14,102,674	31.77%	100.00%	\$ 654,677	1.48%
Cash		\$ 332,873	0.75%	2.26%	\$ 552,293	1.24%	3.92%	\$ (219,420)	-0.49%
Individual Bond Ladder		\$ 7,101,281	16.00%	48.12%	\$ 6,228,643	14.03%	44.17%	\$ 872,638	1.97%
American Funds Bond Fund of Amer		\$ 1,331,490	3.00%	9.02%	\$ 1,330,862	3.00%	9.44%	\$ 628	0.00%
DoubleLine Core Fixed Income		\$ 1,553,405	3.50%	10.53%	\$ 1,545,025	3.48%	10.96%	\$ 8,381	0.02%
Pimco Investment Gd Credit Bond		\$ -	0.00%	0.00%	\$ -	0.00%	0.00%	\$ -	0.00%
<b>Total Core</b>	30.00%			<b>78.95%</b>			<b>77.89%</b>		
PIMCO Income I2 (1/2 Core)		\$ 1,331,490	3.00%	9.02%	\$ 1,327,164	2.99%	9.41%	\$ 4,327	0.01%
Loomis Sayles Core Plus (1/2 Core)		\$ 1,331,490	3.00%	9.02%	\$ 1,328,378	2.99%	9.42%	\$ 3,112	0.01%
American Funds Strategic Bond		\$ 1,775,320	4.00%	12.03%	\$ 1,790,309	4.03%	12.69%	\$ (14,988)	-0.03%
<b>Total Plus</b>				<b>21.05%</b>			<b>22.11%</b>		
US Equity		\$ 15,645,011	35.25%	100.00%	\$ 16,443,628	37.05%	100.00%	\$ (798,618)	-1.80%
Columbia Dividend Income		\$ 2,330,108	5.25%	14.89%	\$ 2,493,694	5.62%	15.17%	\$ (163,586)	-0.37%
MFS Massachusetts Investors Gr Stk		\$ 1,997,235	4.50%	12.77%	\$ 2,111,667	4.76%	12.84%	\$ (114,432)	-0.26%
Janus Henderson Enterprise		\$ 887,660	2.00%	5.67%	\$ 901,423	2.03%	5.48%	\$ (13,763)	-0.03%
<b>Total Active</b>				<b>33.33%</b>			<b>33.49%</b>		
Proshares S&P 500 Div Aristocrats		\$ 1,775,320	4.00%	11.35%	\$ 1,839,789	4.15%	11.19%	\$ (64,469)	-0.15%
Vanguard Value ETF		\$ 887,660	2.00%	5.67%	\$ 927,855	2.09%	5.64%	\$ (40,195)	-0.09%
Goldman Sachs Equal Weight		\$ 1,997,235	4.50%	12.77%	\$ 2,126,880	4.79%	12.93%	\$ (129,645)	-0.29%
Vanguard Total Stk Mkt ETF		\$ 3,994,471	9.00%	25.53%	\$ 4,189,016	9.44%	25.48%	\$ (194,545)	-0.44%
Vanguard Russell 1000 Growth Index		\$ 887,660	2.00%	5.67%	\$ 935,588	2.11%	5.69%	\$ (47,928)	-0.11%
Schwab Mid Cap ETF		\$ 887,660	2.00%	5.67%	\$ 917,716	2.07%	5.58%	\$ (30,056)	-0.07%
<b>Total Passive</b>	55.00%			<b>66.67%</b>			<b>66.51%</b>		
Global		\$ 1,775,320	4.00%	100.00%	\$ 1,806,036	4.07%	100.00%	\$ (30,716)	-0.07%
First Eagle Global		\$ 1,775,320	4.00%	100.00%	\$ 1,806,036	4.07%	100.00%	\$ (30,716)	-0.07%
Int'l Equity		\$ 5,547,876	12.50%	100.00%	\$ 5,436,300	12.25%	100.00%	\$ 111,576	0.25%
American Funds EuroPacific Gr		\$ 1,775,320	4.00%	32.00%	\$ 1,745,123	3.93%	32.10%	\$ 30,197	0.07%
MFS Intl Intrinsic Value		\$ 1,775,320	4.00%	32.00%	\$ 1,729,894	3.90%	31.82%	\$ 45,426	0.10%
Invesco Developing Markets		\$ 887,660	2.00%	16.00%	\$ 866,483	1.95%	15.94%	\$ 21,177	0.05%
<b>Total Active</b>				<b>80.00%</b>			<b>79.86%</b>		
Vanguard FTSE Developed Markets		\$ 1,109,575	2.50%	20.00%	\$ 1,094,800	2.47%	20.14%	\$ 14,775	0.03%
<b>Total Passive</b>				<b>20.00%</b>			<b>20.14%</b>		
Balanced		\$ 3,994,471	9.00%	100.00%	\$ 4,068,439	9.17%	100.00%	\$ (73,969)	-0.17%
American Funds American Balanced		\$ 1,997,235	4.50%	50.00%	\$ 2,032,877	4.58%	49.97%	\$ (35,642)	-0.08%
Janus Henderson Balanced		\$ 1,997,235	4.50%	50.00%	\$ 2,035,562	4.59%	50.03%	\$ (38,327)	-0.09%
Alternative		\$ 2,662,981	6.00%	100.00%	\$ 2,525,931	5.69%	100.00%	\$ 137,049	0.31%
BlackRock Event Driven Equity		\$ 443,830	1.00%	16.67%	\$ 442,436	1.00%	17.52%	\$ 1,394	0.00%
Calamos Market Neutral		\$ 443,830	1.00%	16.67%	\$ 443,809	1.00%	17.57%	\$ 21	0.00%
Cohen & Steers Global Realty		\$ 443,830	1.00%	16.67%	\$ 504,477	1.14%	19.97%	\$ (60,647)	-0.14%
JPMorgan Hedged Equity		\$ 443,830	1.00%	16.67%	\$ 473,016	1.07%	18.73%	\$ (29,186)	-0.07%
Skybridge*		\$ 887,660	2.00%	33.33%	\$ 662,193	1.49%	26.22%	\$ 225,467	0.51%
<b>Total</b>	100.00%	\$ 44,383,009	100.00%		\$ 44,383,009	100.00%		\$ 0	0.00%

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\*Skybridge estimated as of 6/30/2021

Red = Fund removed in Q2



# SCCT Regional Water Authority - Union Plan

## Asset Allocation Matrix

As of 6/30/2021

	IPS Target %	Target \$	Target %	% of Cat	Actual \$	Actual %	% of Cat	+/- \$	+/- %
Fixed Income		\$ 9,076,761	33.25%	100.00%	\$ 8,574,096	31.41%	100.00%	\$ 502,665	1.84%
Cash		\$ 204,739	0.75%	2.26%	\$ 346,889	1.27%	4.05%	\$ (142,150)	-0.52%
Individual Bond Ladder		\$ 4,367,765	16.00%	48.12%	\$ 3,897,571	14.28%	45.46%	\$ 470,194	1.72%
American Funds Bond Fund of Amer		\$ 818,956	3.00%	9.02%	\$ 790,008	2.89%	9.21%	\$ 28,948	0.11%
DoubleLine Core Fixed Income		\$ 955,449	3.50%	10.53%	\$ 922,830	3.38%	10.76%	\$ 32,619	0.12%
Pimco Investment Gd Credit Bond		\$ -	0.00%	0.00%	\$ -	0.00%	0.00%	\$ -	0.00%
<b>Total Core</b>	30.00%			<b>78.95%</b>			<b>78.28%</b>		
PIMCO Income I2 (1/2 Core)		\$ 818,956	3.00%	9.02%	\$ 782,260	2.87%	9.12%	\$ 36,695	0.13%
Loomis Sayles Core Plus (1/2 Core)		\$ 818,956	3.00%	9.02%	\$ 726,919	2.66%	8.48%	\$ 92,037	0.34%
American Funds Strategic Bond		\$ 1,091,941	4.00%	12.03%	\$ 1,107,620	4.06%	12.92%	\$ (15,678)	-0.06%
<b>Total Plus</b>				<b>21.05%</b>			<b>21.72%</b>		
US Equity		\$ 9,622,731	35.25%	100.00%	\$ 10,137,854	37.14%	100.00%	\$ (515,122)	-1.89%
Columbia Dividend Income		\$ 1,433,173	5.25%	14.89%	\$ 1,532,034	5.61%	15.11%	\$ (98,861)	-0.36%
MFS Massachusetts Investors Gr Stk		\$ 1,228,434	4.50%	12.77%	\$ 1,307,928	4.79%	12.90%	\$ (79,495)	-0.29%
Janus Henderson Enterprise		\$ 545,971	2.00%	5.67%	\$ 555,821	2.04%	5.48%	\$ (9,851)	-0.04%
<b>Total Active</b>				<b>33.33%</b>			<b>33.50%</b>		
Proshares S&P 500 Div Aristocrats		\$ 1,091,941	4.00%	11.35%	\$ 1,135,141	4.16%	11.20%	\$ (43,200)	-0.16%
Vanguard Value ETF		\$ 545,971	2.00%	5.67%	\$ 567,023	2.08%	5.59%	\$ (21,052)	-0.08%
Goldman Sachs Equal Weight		\$ 1,228,434	4.50%	12.77%	\$ 1,312,416	4.81%	12.95%	\$ (83,982)	-0.31%
Vanguard Total Stk Mkt ETF		\$ 2,456,868	9.00%	25.53%	\$ 2,582,484	9.46%	25.47%	\$ (125,616)	-0.46%
Vanguard Russell 1000 Growth Index		\$ 545,971	2.00%	5.67%	\$ 579,506	2.12%	5.72%	\$ (33,535)	-0.12%
Schwab Mid Cap ETF		\$ 545,971	2.00%	5.67%	\$ 565,501	2.07%	5.58%	\$ (19,530)	-0.07%
<b>Total Passive</b>	55.00%			<b>66.67%</b>			<b>66.50%</b>		
Global		\$ 1,091,941	4.00%	100.00%	\$ 1,115,010	4.08%	100.00%	\$ (23,069)	-0.08%
First Eagle Global		\$ 1,091,941	4.00%	100.00%	\$ 1,115,010	4.08%	100.00%	\$ (23,069)	-0.08%
Int'l Equity		\$ 3,412,316	12.50%	100.00%	\$ 3,354,225	12.29%	100.00%	\$ 58,091	0.21%
American Funds EuroPacific Gr		\$ 1,091,941	4.00%	32.00%	\$ 1,081,211	3.96%	32.23%	\$ 10,730	0.04%
MFS Intl Intrinsic Value		\$ 1,091,941	4.00%	32.00%	\$ 1,063,343	3.90%	31.70%	\$ 28,599	0.10%
Invesco Developing Markets		\$ 545,971	2.00%	16.00%	\$ 534,760	1.96%	15.94%	\$ 11,211	0.04%
<b>Total Active</b>				<b>80.00%</b>			<b>79.88%</b>		
Vanguard FTSE Developed Markets		\$ 682,463	2.50%	20.00%	\$ 674,912	2.47%	20.12%	\$ 7,551	0.03%
<b>Total Passive</b>				<b>20.00%</b>			<b>20.12%</b>		
Balanced		\$ 2,456,868	9.00%	100.00%	\$ 2,509,411	9.19%	100.00%	\$ (52,543)	-0.19%
American Funds American Balanced		\$ 1,228,434	4.50%	50.00%	\$ 1,256,073	4.60%	50.05%	\$ (27,640)	-0.10%
Janus Henderson Balanced		\$ 1,228,434	4.50%	50.00%	\$ 1,253,337	4.59%	49.95%	\$ (24,904)	-0.09%
Alternative		\$ 1,637,912	6.00%	100.00%	\$ 1,607,933	5.89%	100.00%	\$ 29,979	0.11%
BlackRock Event Driven Equity		\$ 272,985	1.00%	16.67%	\$ 275,064	1.01%	17.11%	\$ (2,079)	-0.01%
Calamos Market Neutral		\$ 272,985	1.00%	16.67%	\$ 278,438	1.02%	17.32%	\$ (5,453)	-0.02%
Cohen & Steers Global Realty		\$ 272,985	1.00%	16.67%	\$ 318,685	1.17%	19.82%	\$ (45,699)	-0.17%
JPMorgan Hedged Equity		\$ 272,985	1.00%	16.67%	\$ 291,374	1.07%	18.12%	\$ (18,389)	-0.07%
Skybridge*		\$ 545,971	2.00%	33.33%	\$ 444,371	1.63%	27.64%	\$ 101,599	0.37%
<b>Total</b>	100.00%	\$ 27,298,529	100.00%		\$ 27,298,529	100.00%		\$ 0	0.00%

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\*Skybridge estimated as of 6/30/2021

Red = Fund removed in Q2

## SCCT Regional Water Authority - VEBA Plan

## Asset Allocation Matrix

As of 6/30/2021

	IPS Target %	Target \$	Target %	% of Cat	Actual \$	Actual %	% of Cat	+/- \$	+/- %
Fixed Income		\$ 3,219,079	34.25%	100.00%	\$ 3,140,621	33.42%	100.00%	\$ 78,459	0.83%
Cash/T-Bills		\$ 93,988	1.00%	2.92%	\$ 96,321	1.02%	3.07%	\$ (2,334)	-0.02%
Guggenheim Limited Duration		\$ 305,460	3.25%	9.49%	\$ 257,410	2.74%	8.20%	\$ 48,050	0.51%
Vanguard Short-Term Bond ETF		\$ 375,951	4.00%	11.68%	\$ 373,828	3.98%	11.90%	\$ 2,123	0.02%
American Funds Bond Fund of Amer		\$ 281,963	3.00%	8.76%	\$ 282,442	3.01%	8.99%	\$ (479)	-0.01%
Pimco Investment Gd Credit Bond		\$ -	0.00%	0.00%	\$ -	0.00%	0.00%	\$ -	0.00%
Pioneer Bond Y		\$ 469,939	5.00%	14.60%	\$ 470,185	5.00%	14.97%	\$ (246)	0.00%
DoubleLine Core Fixed Income	30.00%	\$ 469,939	5.00%	14.60%	\$ 467,752	4.98%	14.89%	\$ 2,186	0.02%
Janus Henderson Flexible Bond		\$ 281,963	3.00%	8.76%	\$ 252,712	2.69%	8.05%	\$ 29,251	0.31%
<b>Total Core</b>				<b>79.56%</b>			<b>79.04%</b>		
PIMCO Income I2 (1/2 Core)		\$ 281,963	3.00%	8.76%	\$ 281,067	2.99%	8.95%	\$ 896	0.01%
Loomis Sayles Core Plus (1/2 Core)		\$ 281,963	3.00%	8.76%	\$ 282,164	3.00%	8.98%	\$ (201)	0.00%
American Funds Stratetgic Bond		\$ 375,951	4.00%	11.68%	\$ 376,740	4.01%	12.00%	\$ (789)	-0.01%
<b>Total Plus</b>				<b>20.44%</b>			<b>20.96%</b>		
US Equity		\$ 3,313,067	35.25%	100.00%	\$ 3,358,672	35.74%	100.00%	\$ (45,605)	-0.49%
Columbia Dividend Income		\$ 493,436	5.25%	14.89%	\$ 506,237	5.39%	15.07%	\$ (12,801)	-0.14%
MFS Massachusetts Investors Gr Stk		\$ 422,945	4.50%	12.77%	\$ 434,725	4.63%	12.94%	\$ (11,780)	-0.13%
Janus Henderson Enterprise		\$ 187,975	2.00%	5.67%	\$ 184,365	1.96%	5.49%	\$ 3,610	0.04%
<b>Total Active</b>				<b>33.33%</b>			<b>33.51%</b>		
Proshares S&P 500 Div Aristocrats		\$ 375,951	4.00%	11.35%	\$ 376,115	4.00%	11.20%	\$ (164)	0.00%
Vanguard Value ETF		\$ 187,975	2.00%	5.67%	\$ 189,008	2.01%	5.63%	\$ (1,032)	-0.01%
Goldman Sachs Equal Weight		\$ 422,945	4.50%	12.77%	\$ 433,440	4.61%	12.91%	\$ (10,495)	-0.11%
Vanguard Total Stk Mkt ETF		\$ 845,889	9.00%	25.53%	\$ 855,629	9.10%	25.48%	\$ (9,739)	-0.10%
Vanguard Russell 1000 Growth Index		\$ 187,975	2.00%	5.67%	\$ 191,307	2.04%	5.70%	\$ (3,331)	-0.04%
Schwab Mid Cap ETF		\$ 187,975	2.00%	5.67%	\$ 187,848	2.00%	5.59%	\$ 127	0.00%
<b>Total Passive</b>	55.00%			<b>66.67%</b>			<b>66.49%</b>		
Global		\$ 375,951	4.00%	100.00%	\$ 374,505	3.98%	100.00%	\$ 1,446	0.02%
First Eagle Global		\$ 375,951	4.00%	100.00%	\$ 374,505	3.98%	100.00%	\$ 1,446	0.02%
Int'l Equity		\$ 1,174,847	12.50%	100.00%	\$ 1,192,119	12.68%	100.00%	\$ (17,273)	-0.18%
American Funds EuroPacific Gr		\$ 375,951	4.00%	32.00%	\$ 384,421	4.09%	32.25%	\$ (8,471)	-0.09%
MFS Intl Intrinsic Value		\$ 375,951	4.00%	32.00%	\$ 383,941	4.09%	32.21%	\$ (7,991)	-0.09%
Invesco Developing Markets		\$ 187,975	2.00%	16.00%	\$ 191,916	2.04%	16.10%	\$ (3,941)	-0.04%
<b>Total Active</b>				<b>80.00%</b>			<b>80.55%</b>		
Vanguard FTSE Developed Markets		\$ 234,969	2.50%	20.00%	\$ 231,840	2.47%	19.45%	\$ 3,129	0.03%
<b>Total Passive</b>				<b>20.00%</b>			<b>19.45%</b>		
Balanced		\$ 845,889	9.00%	100.00%	\$ 854,215	9.09%	100.00%	\$ (8,326)	-0.09%
American Funds American Balanced		\$ 422,945	4.50%	50.00%	\$ 422,426	4.49%	49.45%	\$ 518	0.01%
Janus Henderson Balanced		\$ 422,945	4.50%	50.00%	\$ 431,789	4.59%	50.55%	\$ (8,844)	-0.09%
Alternative		\$ 469,939	5.00%	100.00%	\$ 478,639	5.09%	100.00%	\$ (8,700)	-0.09%
BlackRock Event Driven Equity	15.00%	\$ 140,982	1.50%	30.00%	\$ 138,615	1.47%	28.96%	\$ 2,367	0.03%
Calamos Market Neutral		\$ 140,982	1.50%	30.00%	\$ 140,444	1.49%	29.34%	\$ 538	0.01%
Cohen & Steers Global Realty		\$ 93,988	1.00%	20.00%	\$ 103,356	1.10%	21.59%	\$ (9,368)	-0.10%
JPMorgan Hedged Equity		\$ 93,988	1.00%	20.00%	\$ 96,224	1.02%	20.10%	\$ (2,236)	-0.02%
<b>Total</b>	100.00%	\$ 9,398,772	100.00%		\$ 9,398,772	100.00%		\$ (0)	0.00%

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Red = Fund removed in Q2

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# Glossary of Terms

## The Kelliher Corbett Group at Morgan Stanley

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**Accrued Income:** The dividends and interest earned but not yet received at both the beginning and end of each reporting period.

**Advisory Account:** An investment advisory relationship is designed for clients who prefer that their Financial Advisor act as an investment consultant, with their assets invested in a mutual fund asset allocation program or in a Advisory account that is directed by a professional money manager either at Morgan Stanley or at an external money management firm. There are important differences in your relationship with your Financial Advisor and Morgan Stanley in brokerage accounts and in advisory accounts. Additional information about these differences is available at <http://www.morganstanley.com/ourcommitment>

**Annualized Standard Deviation:** A measure of volatility, it quantifies how much a series of numbers, such as portfolio returns, deviates around its average. Since it measures the portfolio's investment volatility, the account's gross rate of return is used.

**Brokerage Account:** In a brokerage relationship, your Financial Advisor will work with you to facilitate the execution of securities transactions on your behalf. Your Financial Advisor also provides investor education and professional, personalized information about financial products and services in connection with these brokerage services. You can choose how you want to pay for these services and you will receive the same services regardless of which pricing option you choose. There are important differences in your relationship with your Financial Advisor and Morgan Stanley in brokerage accounts and in advisory accounts. Additional information about these differences is available at <http://www.morganstanley.com/ourcommitment>

**Comparative Indices:** A complete description of the comparative indices included in this Performance Report is available upon request.

**Dollar-Weighted Return:** Rate of return calculation methodology that reflects both the timing and magnitude of external contributions and withdrawals and measures the portfolio's performance. The return for each month is calculated as the average return on all dollars invested.

**Gross Return:** The return of the portfolio before the deduction of fees/commissions and other expenses.

**Net Contributions/Withdrawals:** The total value of capital contributed to or withdrawn from the account during the reporting period. The dollar amount represented by contribution or withdrawal transactions is excluded from the calculation of Portfolio Appreciation.

**Net Invested Capital:** The sum of the Total Beginning Value and the net of additional capital Contributions and Withdrawals for each reporting period.

**Net Portfolio Appreciation:** The total dollar gain/loss of the portfolio for each reporting period. The Net Portfolio Appreciation includes the impact of income received and is calculated as the difference between Net Invested Capital and Total Ending Value.

**Net Return:** The return of the portfolio for the period reduced by the amount of fees/commissions paid. The net of fees return is calculated gross of certain custody fees.

**Time-Weighted Return:** Rate of return calculation methodology that eliminates the impact of external contributions and withdrawals to the portfolio value and measures the manager's performance. Portfolio returns are calculated at least monthly and individual monthly returns are geometrically linked to calculate total cumulative return.

**Total Beginning Value:** The total market value of the portfolio, valued on a trade date basis, at the beginning of each reporting period. The Total Beginning Value includes Accrued Income.

**Total Ending Value:** The total market value of the portfolio, valued on a trade date basis, at the end of each reporting period. The Total Ending Value includes Accrued Income.

**Weighted Average:** The average in which each yield to be averaged is assigned a weight. These weightings determine the relative importance or frequency of each yield on the average.

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

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

**Adverse Active AlphaSM 2.0** is a patented screening and scoring process designed to help identify high-quality equity and fixed income managers with characteristics that may lead to future outperformance relative to index and peers. While highly ranked managers performed well as a group in our Adverse Active Alpha model back tests, not all of the managers will outperform. Please note that this data may be derived from back-testing, which has the benefit of hindsight. In addition, highly ranked managers can have differing risk profiles that might not be appropriate for all investors.

Our view is that Adverse Active Alpha is a good starting point and should be used in conjunction with other information. Morgan Stanley Wealth Management's qualitative and quantitative investment manager due diligence process are equally important factors for investors when considering managers for use through an investment advisory program. Factors including, but not limited to, manager



turnover and changes to investment process can partially or fully negate a positive Adverse Active Alpha ranking. Additionally, highly ranked managers can have differing risk profiles that might not be appropriate for all investors.

The proprietary **Value Score** methodology considers an active investment strategies' value proposition relative to its costs. From a historical quantitative study of several quantitative markers, Value Score measures perceived forward-looking benefit and computes (1) "fair value" expense ratios for most traditional investment managers across 40 categories and (2) managers' perceived "excess value" by comparing the fair value expense ratios to actual expense ratios. Managers are then ranked within each category by their excess value to assign a Value Score. Our analysis suggests that greater levels of excess value have historically corresponded to attractive subsequent performance.

For more information on the ranking models, please see Adverse Active AlphaSM 2.0: Scoring Active Managers According to Potential Alpha and Value Score: Scoring Fee Efficiency by Comparing Managers' "Fair Value" and Actual Expense Ratios. The whitepapers are available from your Financial Advisor or Private Wealth Advisor. ADVERSE ACTIVE ALPHA is a registered service mark of Morgan Stanley and/or its affiliates. U.S. Pat. No. 8,756,098 applies to the Adverse Active Alpha system and/or methodology.

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Electronic payments arrive to the payee within 1-2 business days, check payments arrive to the payee within 5 business days. Same-day and overnight payments are available for an additional fee within the available payment timeframes.

## KEY ASSET CLASS CONSIDERATIONS AND OTHER RISKS

Investing in the markets entails the risk of market volatility. The value of all types of investments, including stocks, mutual funds, exchange-traded funds ("ETFs"), closed-end funds, and unit investment trusts, may increase or decrease over varying time periods. To the extent the investments depicted herein represent **international securities**, you should be aware that there may be additional risks associated with international investing, including foreign economic, political, monetary and/or legal factors, changing currency exchange rates, foreign taxes, and differences in financial and accounting standards. These risks may be magnified in **emerging markets and frontier markets**. **Small- and mid-capitalization companies** may lack the financial resources, product diversification and competitive strengths of larger companies. In addition, the securities of small- and mid-capitalization companies may not trade as readily as, and be subject to higher volatility than, those of larger, more established companies. The value of **fixed income securities** will fluctuate and, upon a sale, may be worth more or less than their original cost or maturity value. Bonds are subject to interest rate risk, call risk, reinvestment risk, liquidity risk, and credit risk of the issuer. **High yield bonds** are subject to additional risks such as increased risk of default and greater volatility because of the lower credit quality of the issues. In the case of **municipal bonds**, income is generally exempt from federal income taxes. Some income may be subject to state and local taxes and to the federal alternative minimum tax. Capital gains, if any, are subject to tax. **Treasury Inflation Protection Securities' (TIPS)** coupon payments and underlying principal are automatically increased to compensate for inflation by tracking the consumer price index (CPI). While the real rate of return is guaranteed, TIPS tend to offer a low return. Because the return of TIPS is linked to inflation, TIPS may significantly underperform versus conventional U.S. Treasuries in times of low inflation. There is no guarantee that investors will receive par if TIPS are sold prior to maturity. The returns on a portfolio consisting primarily of **environmental, social, and governance-aware investments ("ESG")** may be lower or higher than a portfolio that is more diversified or where decisions are based solely on investment considerations. Because ESG criteria exclude some investments, investors may not be able to take advantage of the same opportunities or market trends as investors that do not use such criteria. The companies identified and investment examples are for illustrative purposes only and should not be deemed a recommendation to purchase, hold or sell any securities or investment products. They are intended to demonstrate the approaches taken by managers who focus on ESG criteria in their investment strategy. There can be no guarantee that a client's account will be managed as described herein. **Options** and margin trading involve substantial risk and are not appropriate for all investors. Besides the general investment risk of holding securities that may decline in value and the possible loss of principal invested, **closed-end funds** may have additional risks related to declining market prices relative to net asset values (NAVs), active manager underperformance and potential leverage. Closed-end funds, unlike open-end funds, are not continuously offered. There is a one-time public offering and once issued, shares of closed-end funds are sold in the open market through a stock exchange. Shares of closed-end funds frequently trade at a discount from their NAV which may increase investors' risk of loss. The risk of loss due to this discount may be greater for investors expecting to sell their shares in a relatively short period after completion of the public offering. This characteristic is a risk separate and distinct from the risk that a closed-end fund's net asset value may decrease as a result of investment activities. NAV is total assets less total liabilities divided by the number of shares outstanding. At the time an investor purchases or sells shares of a closed-end fund, shares may have a market price that is above or below NAV. Portfolios that invest a large percentage of assets in only one industry **sector** (or in only a few sectors) are more vulnerable to price fluctuation than those that diversify among a broad range of sectors.

**Alternative investments** often are speculative and include a high degree of risk. Investors could lose all or a substantial amount of their investment. Alternative investments are appropriate only for eligible, long-term investors who are willing to forgo liquidity and put capital at risk for an indefinite period of time. They may be highly illiquid and can engage in leverage and other speculative practices that may increase the volatility and risk of loss. Alternative Investments typically have higher fees than traditional investments. Investors should carefully review and consider potential risks before investing. Certain of these risks may include but are not limited to: Loss of all or a substantial portion of the investment due to leveraging, short-selling, or other speculative practices; Lack of liquidity in that there may be no secondary market for a fund; Volatility of returns; Restrictions on transferring interests in a fund; Potential lack of diversification and resulting higher risk due to

concentration of trading authority when a single advisor is utilized; Absence of information regarding valuations and pricing; Complex tax structures and delays in tax reporting; Less regulation and higher fees than mutual funds; Risks associated with the operations, personnel, and processes of the manager; and Risks associated with cybersecurity. As a diversified global financial services firm, Morgan Stanley Wealth Management engages in a broad spectrum of activities including financial advisory services, investment management activities, sponsoring and managing private investment funds, engaging in broker-dealer transactions and principal securities, commodities and foreign exchange transactions, research publication, and other activities. In the ordinary course of its business, Morgan Stanley Wealth Management therefore engages in activities where Morgan Stanley Wealth Management's interests may conflict with the interests of its clients, including the private investment funds it manages. Morgan Stanley Wealth Management can give no assurance that conflicts of interest will be resolved in favor of its clients or any such fund. All expressions of opinion are subject to change without notice and are not intended to be a forecast of future events or results. Further, opinions expressed herein may differ from the opinions expressed by Morgan Stanley Wealth Management and/or other businesses/affiliates of Morgan Stanley Wealth Management. This is not a "research report" as defined by FINRA Rule 2241 or a "debt research report" as defined by FINRA Rule 2242 and was not prepared by the Research Departments of Morgan Stanley Smith Barney LLC or Morgan Stanley & Co. LLC or its affiliates. Certain information contained herein may constitute forward-looking statements. Due to various risks and uncertainties, actual events, results or the performance of a fund may differ materially from those reflected or contemplated in such forward-looking statements. Clients should carefully consider the investment objectives, risks, charges, and expenses of a fund before investing. While the HFRI indices are frequently used, they have limitations (some of which are typical of other widely used indices). These limitations include survivorship bias (the returns of the indices may not be representative of all the hedge funds in the universe because of the tendency of lower performing funds to leave the index); heterogeneity (not all hedge funds are alike or comparable to one another, and the index may not accurately reflect the performance of a described style); and limited data (many hedge funds do not report to indices, and the index may omit funds, the inclusion of which might significantly affect the performance shown). The HFRI indices are based on information self-reported by hedge fund managers that decide on their own, at any time, whether or not they want to provide, or continue to provide, information to HFR Asset Management, L.L.C. Results for funds that go out of business are included in the index until the date that they cease operations. Therefore, these indices may not be complete or accurate representations of the hedge fund universe, and may be biased in several ways. Composite index results are shown for illustrative purposes and do not represent the performance of a specific investment. Individual funds have specific tax risks related to their investment programs that will vary from fund to fund. Clients should consult their own tax and legal advisors as Morgan Stanley Wealth Management does not provide tax or legal advice. Interests in alternative investment products are offered pursuant to the terms of the applicable offering memorandum, are distributed by Morgan Stanley Wealth Management and certain of its affiliates, and (1) are not FDIC-insured, (2) are not deposits or other obligations of Morgan Stanley Wealth Management or any of its affiliates, (3) are not guaranteed by Morgan Stanley Wealth Management and its affiliates, and (4) involve investment risks, including possible loss of principal. Morgan Stanley Wealth Management is a registered broker-dealer, not a bank. This material is not to be reproduced or distributed to any other persons (other than professional advisors of the investors or prospective investors, as applicable, receiving this material) and is intended solely for the use of the persons to whom it has been delivered. This material is not for distribution to the general public. Past performance is no guarantee of future results. Actual results may vary. SIPC insurance does not apply to precious metals, other commodities, or traditional alternative investments. In Consulting Group's advisory programs, alternative investments are limited to US-registered mutual funds, separate account strategies and exchange-traded funds (ETFs) that seek to pursue alternative investment strategies or returns utilizing publicly traded securities. Investment products in this category may employ various investment strategies and techniques for both hedging and more speculative purposes such as short-selling, leverage, derivatives and options, which can increase volatility and the risk of investment loss. Alternative investments are not appropriate for all investors. As a diversified global financial services firm, Morgan Stanley Wealth Management engages in a broad spectrum of activities including financial advisory services, investment management activities, sponsoring and managing private investment funds, engaging in broker-dealer transactions and principal securities, commodities and foreign exchange transactions, research publication, and other activities. In the ordinary course of its business, Morgan Stanley Wealth Management therefore engages in activities where Morgan Stanley Wealth Management's interests may conflict with the interests of its clients, including the private investment funds it manages. Morgan Stanley Wealth Management can give no assurance that conflicts of interest will be resolved in favor of its clients or any such fund. Alternative investments involve complex tax structures, tax inefficient investing, and delays in distributing important tax information. Individual funds have specific risks related to their investment programs that will vary from fund to fund.

Clients should consult their own tax and legal advisors as Morgan Stanley Wealth Management does not provide tax or legal advice.

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

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

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

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

**Hedge Funds of Funds** and many funds of funds are private investment vehicles restricted to certain qualified private and institutional investors. They are often speculative and include a high degree of risk. Investors can lose all or a substantial amount of their investment. They may be highly illiquid, can engage in leverage and other speculative practices that may increase volatility and the risk of loss, and may be subject to large investment minimums and initial lockups. They involve complex tax structures, tax-inefficient investing and delays in distributing important tax information. Categorically, hedge funds and funds of funds have higher fees and expenses than traditional investments, and such fees and expenses can lower the returns achieved by investors. Funds of funds have an additional layer of fees over and above hedge fund fees that will offset returns. An investment in an **exchange-traded fund** involves risks similar to those of investing in a broadly based portfolio of equity securities traded on an exchange in the relevant securities market, such as market fluctuations caused by such factors as economic and political developments, changes in interest rates and perceived trends in stock and bond prices. An investment in a **target date portfolio** is subject to the risks attendant to the underlying funds in which it invests, in these portfolios the funds are the Consulting Group Capital Market funds. A target date portfolio is geared to investors who will retire and/or require income at an approximate year. The portfolio is managed to meet the investor’s goals by the pre-established year or “target date.” A target date portfolio will transition its invested assets from a more aggressive portfolio to a more conservative portfolio as the target date draws closer. An investment in the target date portfolio is not guaranteed at any time, including, before or after the target date is reached. **Managed futures** investments are speculative, involve a high degree of risk, use significant leverage, are generally illiquid, have substantial charges, subject investors to conflicts of interest, and are appropriate only for the risk capital portion of an investor’s portfolio. Managed futures investments do not replace equities or bonds but rather may act as a complement in a well diversified portfolio. Managed Futures are complex and not appropriate for all investors. **Rebalancing** does not protect against a loss in declining financial markets. There may be a potential tax implication with a rebalancing strategy.

**Buying, selling, and transacting in Bitcoin or other digital assets, and related funds and products, is highly speculative and may result in a loss of the entire investment.** Risks and considerations include but are not limited to:

- Bitcoin and other digital assets have only been in existence for a short period of time and historical trading prices for Bitcoin and other digital assets have been highly volatile. The price of Bitcoin and other digital assets could decline rapidly, and **investors could lose their entire investment**.

- Certain digital asset funds and products, including Bitcoin funds and products, allow investors to invest on a more frequent basis than investors may withdraw from the fund or product, and interests in such funds or products are generally not freely transferrable. This means that, particularly given the volatility of digital assets, including Bitcoin, an investor will have to bear any losses with respect to its investment for an extended period of time and will not be able to react to changes in the price of the digital asset once invested (for example, by seeking to withdraw) as quickly as when making the decision to invest. Such digital asset funds and products, including Bitcoin funds and products, are intended only for persons who are able to bear the economic risk of investment and who do not need liquidity with respect to their investments.

- Given the volatility in the price of Bitcoin and other digital assets, the net asset value of a fund or product that invests in such assets at the time an investor’s subscription for interests in the fund or product is accepted may be significantly below or above the net asset value of the product or fund at the time the investor submitted subscription materials.

- Certain digital assets, apart from Bitcoin, are not intended to function as currencies but are intended to have other use cases. These other digital assets may be subject to some or all of the risks and considerations set forth herein, as well as additional risks applicable to such other digital assets. Buyers, sellers and users of such other digital assets should thoroughly familiarize themselves with such risks and considerations before transacting in such other digital assets.

- The value of Bitcoin and other digital assets may be negatively impacted by future legal and regulatory developments, including but not limited to increased regulation of Bitcoin or such other digital assets. Any such developments may make Bitcoin or such other digital assets less valuable, impose additional burdens and expenses on a fund or product investing in such assets or impact the ability

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of such a fund or product to continue to operate, which may materially decrease the value of an investment therein.

- Due to the new and evolving nature of digital currencies and the absence of comprehensive guidance, many significant aspects of the tax treatment of digital assets including Bitcoin are uncertain. Prospective investors should consult their own tax advisors concerning the tax consequences to them of the purchase, ownership and disposition of Bitcoin and other digital assets, directly or indirectly through a fund or product, under U.S. federal income tax law, as well as the tax law of any relevant state, local or other jurisdiction.

- Over the past several years, certain Bitcoin exchanges have experienced failures or interruptions in service due to fraud, security breaches, operational problems or business failure. Such events in the future could impact any fund's or product's ability to transact in Bitcoin if the fund or product relies on an impacted exchange and may also materially decrease the price of Bitcoin, thereby impacting the value of your investment, regardless of whether the fund or product relies on such an impacted exchange.

- Although any digital asset product, including a Bitcoin-related product, and its service providers have in place significant safeguards against loss, theft, destruction and inaccessibility, there is nonetheless a risk that some or all of a product's digital asset, including Bitcoin, could be permanently lost, stolen, destroyed or inaccessible by virtue of, among other things, the loss or theft of the "private keys" necessary to access a product's digital asset, including Bitcoin.

- Investors in funds or products investing or transacting in Bitcoin and/or other digital assets may not benefit to the same extent (or at all) from "airdrops" with respect to, or "forks" in, the Bitcoin (or other relevant digital asset's) blockchain, compared to investors who hold Bitcoin (or such other relevant digital asset) directly instead of through a fund or product. Additionally, a "fork" in the Bitcoin blockchain could materially decrease the price of Bitcoin.

- Digital assets such as Bitcoin or other digital asset product is/are not legal tender, and is not backed by any government, corporation or other identified body, other than with respect to certain digital currencies that certain governments are or may be developing now or in the future (of which Bitcoin is **not** one). No law requires companies or individuals to accept digital currency as a form of payment (except, potentially, with respect to digital currencies developed by certain governments where such acceptance may be mandated). Instead, other than as described in the preceding sentences, Bitcoin's and other digital asset products' use is limited to businesses and individuals that are willing to accept them. If no one were to accept digital currencies, Bitcoin and other virtual currency products would very likely become worthless.

- Platforms that buy and sell Bitcoin or other digital assets can be hacked, and some have failed. In addition, like the platforms themselves, digital wallets can be hacked, and are subject to theft and fraud. As a result, like other investors have, you can lose some or all of your holdings of digital assets, including Bitcoin.

- Unlike US banks and credit unions that provide certain guarantees of safety to depositors, there are no such safeguards provided to digital assets, such as Bitcoin, held in digital wallets by their providers or by regulators.

- Due to the anonymity Bitcoin and other digital assets offer, it has known use in illegal activity, including drug dealing, money laundering, human trafficking, sanction evasion and other forms of illegal commerce. Abuses could impact legitimate consumers and speculators; for instance, law enforcement agencies could shut down or restrict the use of platforms and exchanges, limiting or shutting off entirely the ability to use or trade Bitcoin or other digital asset products.

- Bitcoin and other digital assets may not have an established track record of credibility and trust. Further, any performance data relating to Bitcoin, Bitcoin-related products or other digital asset products may not be verifiable as pricing models are not uniform.

- Investors should be aware of the potentially increased risks of transacting in digital assets, including Bitcoin, relating to the risks and considerations, including fraud, theft, and lack of legitimacy, and other aspects and qualities of digital assets, before transacting in such assets.

- The exchange rate of Bitcoin or other virtual currency products versus the USD historically has been very volatile and the exchange rate could drastically decline. For example, the exchange rate of Bitcoin versus the USD has in the past dropped more than 50% in a single day. Bitcoin may be affected by such volatility as well.

- Digital asset exchanges have limited operating and performance histories and are not regulated with the same controls or customer protections available to more traditional exchanges transacting equity, debt, and other assets and securities. There is no assurance that a person/exchange who currently accepts a digital asset as payment will continue to do so in the future.

- The regulatory framework of digital assets is evolving, and in some cases uncertain, and digital assets themselves may not be governed and protected by applicable securities regulators and securities laws, including, but not limited to, Securities Investor Protection Corporation coverage, or other regulatory regimes.
- Morgan Stanley Smith Barney LLC or its affiliates (collectively, "Morgan Stanley") may currently, or in the future, offer or invest in digital asset products, services or platforms. The proprietary interests of Morgan Stanley may conflict with your interests.
- The foregoing list of considerations and risks are not and do not purport to be a complete enumeration or explanation of the risks involved in an investment in the any product or fund investing or trading in Bitcoin and/or other digital assets.

**Asset allocation and diversification** do not assure a profit or protect against loss in declining financial markets. Past performance is no guarantee of future results. Actual results may vary.

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

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

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

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

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

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

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

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

**HYPOTHETICAL MODEL PERFORMANCE (GROSS):** Hypothetical model performance results do not reflect the investment or performance of an actual portfolio following a GIC Strategy, but simply reflect actual historical performance of selected indices on a real-time basis over the specified period of time representing the GIC's strategic and tactical allocations as of the date of this report. The past performance shown here is simulated performance based on benchmark indices, not investment results from an actual portfolio or actual trading. There can be large differences between hypothetical and actual performance results achieved by a particular asset allocation or trading strategy. Hypothetical performance results do not represent actual trading and are generally designed with the benefit of hindsight. Actual performance results of accounts vary due to, for example, market factors (such as liquidity) and client-specific factors (such as investment vehicle selection, timing of contributions and withdrawals, restrictions and rebalancing schedules). Clients would not necessarily have obtained the performance results shown here if they had invested in accordance with any

GIC Asset Allocation Model for the periods indicated. Despite the limitations of hypothetical performance, these hypothetical performance results allow clients and Financial Advisors to obtain a sense of the risk/return trade-off of different asset allocation constructs. The hypothetical performance results in this report are calculated using the returns of benchmark indices for the asset classes, and not the returns of securities, fund or other investment products. Models may contain allocations to Hedge Funds, Private Equity and Private Real Estate. The benchmark indices for these asset classes are not issued on a daily basis. When calculating model performance on a day for which no benchmark index data is issued, we have assumed straight line growth between the index levels issued before and after that date.

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

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

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

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

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

**REITs** investing risks are similar to those associated with direct investments in real estate: property value fluctuations, lack of liquidity, limited diversification and sensitivity to economic factors such as



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

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

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

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

**Growth investing** does not guarantee a profit or eliminate risk. The stocks of these companies can have relatively high valuations. Because of these high valuations, an investment in a growth stock can be more risky than an investment in a company with more modest growth expectations. **Value investing** does not guarantee a profit or eliminate risk. Not all companies whose stocks are considered to be value stocks are able to turn their business around or successfully employ corrective strategies which would result in stock prices that do not rise as initially expected.

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

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**All indexes are unmanaged and an individual cannot invest directly in an index. Index returns do not include fees or expenses.**

## *Equities:*

The **Dow Jones Industrial Average** is a price-weighted average of 30 actively traded blue-chip U.S. stocks.

The **MSCI ACWI (All Country World Index)** is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets.

The **MSCI EAFE Index (Europe, Australasia, Far East)** is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the US & Canada.

The **MSCI Emerging Markets Index** is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets.

The **MSCI Europe Index** is a free float-adjusted market capitalization index that is designed to measure developed market equity performance in Europe.

The **MSCI Pacific Index** is a free float-adjusted market capitalization index that is designed to measure equity market performance in the Pacific region.

The **Russell 1000 Index®** measures the performance of the 1,000 largest companies in the Russell 3000.

The **Russell 1000 Growth Index®** measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.

The **Russell 1000 Value Index®** measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values.

The **Russell 2000 Index®** measures the performance of the 2,000 smallest companies in the Russell 3000 Index.

The **Russell 2000 Growth Index®** measures the performance of those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values.

The **Russell 2000 Value Index®** measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values.

The **Russell 3000 Index®** measures the performance of the 3,000 largest U.S. companies based on total market capitalization.

The **Russell Midcap Index®** measures the performance of the 800 smallest companies in the Russell 1000 Index.

The **Russell Midcap Growth Index®** measures the performance of those Russell Midcap companies with higher price-to-book ratios and higher forecasted growth values. The stocks are also members of the Russell 1000 Growth index.

The **Russell Midcap Value Index®** measures the performance of those Russell Midcap companies with lower price-to-book ratios and lower forecasted growth values. The stocks are also members of the Russell 1000 Value index.

The **S&P 500 Index** is widely regarded as the best single gauge of the U.S. equities market. The index includes a representative sample of 500 leading companies in leading industries of the U.S. economy. The **S&P 500 Index** focuses on the large-cap segment of the market; however, since it includes a significant portion of the total value of the market, it also represents the market.

## *Fixed income:*

The **Bloomberg Barclays 1-3 Month U.S. Treasury Bill Index** includes all publicly issued zero-coupon US Treasury Bills that have a remaining maturity of less than 3 months and more than 1 month, are rated investment grade, and have \$250 million or more of outstanding face value. In addition, the securities must be denominated in U.S. dollars and must be fixed rate and non convertible.

The **Bloomberg Barclays Global High Yield Index** is a multi-currency flagship measure of the global high yield debt market. The index represents the union of the US High Yield, the Pan-European High Yield, and Emerging Markets (EM) Hard Currency High Yield Indices. The high yield and emerging markets sub-components are mutually exclusive. Until January 1, 2011, the index also included CMBS high yield securities.

The **Bloomberg Barclays Municipal Index** consists of a broad selection of investment-grade general obligation and revenue bonds of maturities ranging from one year to 30 years. It is an unmanaged index representative of the tax-exempt bond market.

The **Bloomberg Barclays US Dollar Floating Rate Note (FRN) Index** provides a measure of the U.S. dollar denominated floating rate note market.

The **Bloomberg Barclays US Corporate Investment Grade Index** is an unmanaged index consisting of publicly issued US Corporate and specified foreign debentures and secured notes that are rated investment grade (Baa3/BBB or higher) by at least two ratings agencies, have at least one year to final maturity and have at least \$250 million par amount outstanding. To qualify, bonds must be SEC-registered.

The **Bloomberg Barclays US High Yield Index** covers the universe of fixed rate, non-investment grade debt. Eurobonds and debt issues from countries designated as emerging markets (sovereign rating of Baa1/BBB+/BBB+ and below using the middle of Moody's, S&P, and Fitch) are excluded, but Canadian and global bonds (SEC registered) of issuers in non-EMG countries are included.

The **Bloomberg Barclays US Mortgage Backed Securities Index** is an unmanaged index that measures the performance of investment grade fixed-rate mortgage backed pass-through securities of GNMA, FNMA and FHLMC.

The **Bloomberg Barclays US TIPS Index** consists of Inflation-Protection securities issued by the U.S. Treasury.

The **J.P. Morgan Emerging Market Bond Global Index (EMBI)** includes U.S. dollar denominated Brady bonds, Eurobonds, traded loans and local market debt instruments issued by sovereign and quasi-sovereign entities.

The **J.P. Morgan Domestic High Yield Index** is designed to mirror the investable universe of the U.S. dollar domestic high yield corporate debt market.

The **J.P. Morgan Corporate Emerging Markets Bond Index Broad Diversified (CEMBI Broad Diversified)** is an expansion of the **J.P. Morgan Corporate Emerging Markets Bond Index (CEMBI)**. The CEMBI is a market capitalization weighted index consisting of U.S. dollar denominated emerging market corporate bonds.

The **J.P. Morgan Emerging Markets Bond Index Global Diversified (EMBI Global Diversified)** tracks total returns for U.S. dollar-denominated debt instruments issued by emerging market sovereign and quasi-sovereign entities: Brady bonds, loans, Eurobonds. The index limits the exposure of some of the larger countries.

The **J.P. Morgan GBI EM Global Diversified** tracks the performance of local currency debt issued by emerging market governments, whose debt is accessible by most of the international investor base.

The **U.S. Treasury Index** is a component of the U.S. Government index.



*Other asset classes:*

The **Alerian MLP Index** is a composite of the 50 most prominent energy Master Limited Partnerships (MLPs) that provides investors with an unbiased, comprehensive benchmark for the asset class.

The **Bloomberg Commodity Index** and related sub-indices are composed of futures contracts on physical commodities and represents twenty two separate commodities traded on U.S. exchanges, with the exception of aluminum, nickel, and zinc

The **Cambridge Associates U.S. Global Buyout and Growth Index®** is based on data compiled from 1,768 global (U.S. & ex – U.S.) buyout and growth equity funds, including fully liquidated partnerships, formed between 1986 and 2013.

The **CS/Tremont Hedge Fund Index** is compiled by Credit Suisse Tremont Index, LLC. It is an asset-weighted hedge fund index and includes only funds, as opposed to separate accounts. The Index uses the Credit Suisse/Tremont database, which tracks over 4500 funds, and consists only of funds with a minimum of US\$50 million under management, a 12-month track record, and audited financial statements. It is calculated and rebalanced on a monthly basis, and shown net of all performance fees and expenses. It is the exclusive property of Credit Suisse Tremont Index, LLC.

The **HFRI Monthly Indices (HFRI)** are equally weighted performance indexes, utilized by numerous hedge fund managers as a benchmark for their own hedge funds. The HFRI are broken down into 4 main strategies, each with multiple sub strategies. All single-manager HFRI Index constituents are included in the HFRI Fund Weighted Composite, which accounts for over 2200 funds listed on the internal HFR Database.

The **NAREIT EQUITY REIT Index** is designed to provide the most comprehensive assessment of overall industry performance, and includes all tax-qualified real estate investment trusts (REITs) that are listed on the NYSE, the American Stock Exchange or the NASDAQ National Market List.

The **NFI-ODCE**, short for NCREIF Fund Index - Open End Diversified Core Equity, is an index of investment returns reporting on both a historical and current basis the results of 33 open-end commingled funds pursuing a core investment strategy, some of which have performance histories dating back to the 1970s. The NFI-ODCE Index is capitalization-weighted and is reported gross of fees. Measurement is time-weighted.

*Definitions:*

Investing in **alternative assets** involves higher risks than traditional investments and is suitable only for sophisticated investors. Alternative investments involve greater risks than traditional investments and should not be deemed a complete investment program. They are not tax efficient and an investor should consult with his/her tax advisor prior to investing. Alternative investments have higher fees than traditional investments and they may also be highly leveraged and engage in speculative investment techniques, which can magnify the potential for investment loss or gain. The value of the investment may fall as well as rise and investors may get back less than they invested.

**Bonds** are subject to interest rate risks. Bond prices generally fall when interest rates rise.

Investments in **commodities** may have greater volatility than investments in traditional securities, particularly if the instruments involve leverage. The value of commodity-linked derivative instruments may be affected by changes in overall market movements, commodity index volatility, changes in interest rates, or factors affecting a particular industry or commodity, such as drought, floods, weather, livestock disease, embargoes, tariffs and international economic, political and regulatory developments. Use of leveraged commodity-linked derivatives creates an opportunity for increased return but, at the same time, creates the possibility for greater loss.

**Derivatives** may be riskier than other types of investments because they may be more sensitive to changes in economic or market conditions than other types of investments and could result in losses that significantly exceed the original investment. The use of derivatives may not be successful, resulting in investment losses, and the cost of such strategies may reduce investment returns.

**Distressed Restructuring Strategies** employ an investment process focused on corporate fixed income instruments, primarily on corporate credit instruments of companies trading at significant discounts to their value at issuance or obliged (par value) at maturity as a result of either formal bankruptcy proceeding or financial market perception of near term proceedings.

Investments in **emerging markets** can be more volatile. The normal risks of investing in foreign countries are heightened when investing in emerging markets. In addition, the small size of securities markets and the low trading volume may lead to a lack of liquidity, which leads to increased volatility. Also, emerging markets may not provide adequate legal protection for private or foreign investment or private property.

The price of **equity** securities may rise, or fall because of changes in the broad market or changes in a company's financial condition, sometimes rapidly or unpredictably. These price movements may result from factors affecting individual companies, sectors or industries, or the securities market as a whole, such as changes in economic or political conditions. Equity securities are subject to "stock market risk" meaning that stock prices in general may decline over short or extended periods of time.

**Equity market neutral strategies** employ sophisticated quantitative techniques of analyzing price data to ascertain information about future price movement and relationships between securities, select securities for purchase and sale. Equity Market Neutral Strategies typically maintain characteristic net equity market exposure no greater than 10% long or short.

**Global macro strategies** trade a broad range of strategies in which the investment process is predicated on movements in underlying economic variables and the impact these have on equity, fixed income, hard currency and commodity markets.

**International** investing involves a greater degree of risk and increased volatility. Changes in currency exchange rates and differences in accounting and taxation policies outside the U.S. can raise or lower returns. Some overseas markets may not be as politically and economically stable as the United States and other nations.

There is no guarantee that the use of **long and short positions** will succeed in limiting an investor's exposure to domestic stock market movements, capitalization, sector swings or other risk factors. Using long and short selling strategies may have higher portfolio turnover rates. Short selling involves certain risks, including additional costs associated with covering short positions and a possibility of unlimited loss on certain short sale positions.

**Merger arbitrage strategies** which employ an investment process primarily focused on opportunities in equity and equity related instruments of companies which are currently engaged in a corporate transaction.

**Mid-capitalization** investing typically carries more risk than investing in well-established "blue-chip" companies. Historically, mid-cap companies' stock has experienced a greater degree of market volatility than the average stock.

**Price to forward earnings** is a measure of the price-to-earnings ratio (P/E) using forecasted earnings. **Price to book value** compares a stock's market value to its book value. **Price to cash flow** is a measure of the market's expectations of a firm's future financial health. **Price to dividends** is the ratio of the price of a share on a stock exchange to the dividends per share paid in the previous year, used as a measure of a company's potential as an investment.

**Real estate** investments may be subject to a higher degree of market risk because of concentration in a specific industry, sector or geographical sector. Real estate investments may be subject to risks including, but not limited to, declines in the value of real estate, risks related to general and economic conditions, changes in the value of the underlying property owned by the trust and defaults by borrower.

**Relative Value Strategies** maintain positions in which the investment thesis is predicated on realization of a valuation discrepancy in the relationship between multiple securities.

**Small-capitalization** investing typically carries more risk than investing in well-established "blue-chip" companies since smaller companies generally have a higher risk of failure. Historically, smaller companies' stock has experienced a greater degree of market volatility than the average stock.

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Prepared by: Stephanie Aliaga, Jordan K. Jackson, David M. Lebovitz, John C. Manley, Meera Pandit, Gabriela D. Santos, Olivia C. Schubert, Nimish Vyas and David P. Kelly.

Unless otherwise stated, all data are as of June 30, 2021 or most recently available.

**Guide to the Markets – U.S.**

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# **South Central Connecticut Regional Water Authority**

**South Central Connecticut Regional Water Authority Salaried  
Employees' Retirement Plan,  
South Central Connecticut Regional Water Authority Retirement Plan,  
and South Central Connecticut Regional Water Authority Retired  
Employees' Contributory Welfare Trust (VEBA)**

## **INVESTMENT POLICY STATEMENT**

**~~07/18/2019~~ 07/07/2021**

## **TABLE OF CONTENTS**

<b>EXECUTIVE SUMMARY .....</b>	<b>3</b>
<b>INVESTMENT POLICY STATEMENT DISCUSSION.....</b>	<b>4</b>
<b>INTRODUCTION .....</b>	<b>6</b>
<b>OVERVIEW COMMENTARY .....</b>	<b>6</b>
<b>OVERVIEW.....</b>	<b>7</b>
<b>INVESTOR CIRCUMSTANCES .....</b>	<b>7</b>
<b>INVESTMENT OBJECTIVES .....</b>	<b>7</b>
<b>TIME HORIZON .....</b>	<b>8</b>
<b>TAX POLICY .....</b>	<b>8</b>
<b>RISK TOLERANCE .....</b>	<b>8</b>
<b>ASSET ALLOCATION .....</b>	<b>8</b>
<b>FREQUENCY OF INVESTMENT POLICY STATEMENT REVIEW .....</b>	<b>10</b>
<b>LIQUIDITY .....</b>	<b>10</b>
<b>DIVERSIFICATION AND INVESTMENT CONSTRAINTS.....</b>	<b>10</b>
<b>SELECTION/RETENTION CRITERIA FOR INVESTMENTS.....</b>	<b>11</b>
<b>INVESTMENT MONITORING AND CONTROL PROCEDURES .....</b>	<b>11</b>
<b>DUTIES AND RESPONSIBILITIES .....</b>	<b>12</b>
<b>ADOPTION.....</b>	<b>15</b>

## South Central Connecticut Regional Water Authority **EXECUTIVE SUMMARY**

<b>Plans Names:</b>	This Investment Policy Statement covers three separate portfolios for the South Central Connecticut Regional Water Authority ("the Plans") <ol style="list-style-type: none"><li>1. South Central Connecticut Regional Water Authority Salaried Employees' Retirement Plan</li><li>2. South Central Connecticut Regional Water Authority Retirement Plan</li><li>3. South Central Connecticut Regional Water Authority Retired Employees' Contributory Welfare Trust (VEBA)</li></ol>			
<b>Plan Trustee:</b>	Broadridge Matrix Trust Company			
<b>Primary Investment Custodian:</b>	Morgan Stanley & Co			
<b>Pension Payroll Custodian:</b>	Broadridge Matrix Trust Company			
<b>Plan Administrator:</b>	Regional Water Authority Board			
<b>Plan Actuary:</b>	The Angell Pension Group, Inc.			
<b>Plan Advisor:</b>	The Kelliher Corbett Group at Morgan Stanley			
<b>Primary Objectives:</b>	<ol style="list-style-type: none"><li>1) Milestone goal of being fully funded, for the pension plans by end of Fiscal Year <del>2023</del><b>2025</b>, excluding ongoing plan service costs, subject to prevailing market conditions</li><li>2) To achieve a long-term rate of return that meets the assumed actuarial rate of return</li></ol>			
<b>Target Rate of Return:</b>	To meet the assumed actuarial rate of return			
<b>Time Horizon:</b>	Aligned with actuarial liabilities of the South Central Connecticut Regional Water Authority Pension plans and VEBA			
<b>Asset Allocation:</b>	<b>Asset Class</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Preferred</b>
	Equities	45%	60%	55%
	Fixed Income	20%	45%	30%
	Alternative/Hedge/Balanced	5%	20%	15%
	The maximum allowable allocation to illiquid securities is 10%			
	When investing in alternative investments, the VEBA plan permits the use of liquid investments only			
<b>Cash Limits:</b>	The investor wishes to maintain sufficient liquidity to fund benefit obligations			
<b>Restrictions:</b>	Average bond quality rated Investment Grade or Better (excluding mutual fund/ETFs) Maximum Average Bond Maturity: 20 years Maximum Individual Bond Maturity: 30 years Maximum Portion of Portfolio in a Single Diversified Fund: 20% Maximum Portion of Portfolio in a Single Security/Individual Company: 3% (excluding U.S. Government Securities)			
<b>Meeting Frequency:</b>	Quarterly			

## **INVESTMENT POLICY DISCUSSION**

### ***What Is an Investment Policy Statement?***

An Investment Policy Statement (IPS) describes the investment philosophies and investment management procedures to be utilized for the funds as further described below, as well as the long-term goals for the Plans:

1. South Central Connecticut Regional Water Authority Salaried Employees' Retirement Plan
2. South Central Connecticut Regional Water Authority Retirement Plan
3. South Central Connecticut Regional Water Authority Retired Employees' Contributory Welfare Trust (VEBA)

### ***The Need for an Investment Policy Statement***

The principle reason for developing an investment policy statement and for putting it in writing is to memorialize the strategy, goals, and objectives of the funds. Without an investment policy statement, in times of market turmoil, investors are often inclined to make impromptu investment decisions that are inconsistent with prudent investment management principles. This investment policy statement is intended to provide a well thought out framework from which sound investment decisions can be made.

### ***Steps to Take to Establish an Investment Policy Statement***

1. Assess your financial situation—identify your goals and needs.
2. Determine your tolerance for risk and your time horizon.
3. Set long-term investment objectives.
4. Identify any restrictions on the portfolio and its assets.
5. Determine the asset classes and appropriate mix (the "Asset Allocation") to maximize the likelihood of achieving the investment objectives at the lowest level of risk.
6. Determine the investment methodology to be used with regards to investment (manager) selection, rebalancing, buy-sell disciplines, portfolio reviews and reporting, etc.
7. Implement the decisions.

### ***Definitions***

1. "Regional Water Authority Board" shall refer to the decision making body established to administer the portfolio.

2. “Pension and Benefit Committee” shall refer to the assigned board members responsible for making recommendations to the Regional Water Authority Board.
3. “Pension Review Committee” shall refer to a group of senior management, designated by the Authority, whose role is limited and excludes non-routine and discretionary matters.
4. “Investment Manager” shall mean any individual, or group of individuals, employed to manage the investments of all or part of the portfolio’s assets.
5. “Advisor” shall mean any individual, or organization employed to provide advisory services, including advice on investment objectives and/or asset allocation, manager search and performance monitoring.
6. “Fiduciary” shall mean any individual or group of individuals that exercise discretionary authority or control over the fund management or any authority or control over management, disposition or administration of portfolio assets.

***This Investment Policy Statement:***

- ❖ Establishes the Regional Water Authority Board’s expectations, objectives and guidelines in the investment of the portfolio's assets.
- ❖ Creates the framework for a well-diversified asset mix that can be expected to generate acceptable long-term returns at a level of risk suitable to the Regional Water Authority Board, including:
  - describing an appropriate risk posture for the investment of the portfolios
  - specifying the target asset allocation policy
  - establishing investment guidelines regarding the selection of investment managers, permissible securities and diversification of assets
  - specifying the criteria for evaluating the performance of the portfolio's assets
- ❖ Defines the responsibilities of the Pension and Benefit Committee, Regional Water Authority Board, Advisor and Investment Manager(s).
- ❖ Encourages effective communication between the Advisor, Investment Manager(s) and the Pension and Benefit Committee.

This investment policy statement is intended to be a summary of an investment philosophy and the procedures that provide guidance for the Regional Water Authority Board. The investment policies described in this investment policy statement should be dynamic. These policies should reflect the Regional Water Authority Board’s current status and philosophy regarding the investment of the portfolio. These policies will be reviewed and revised periodically to ensure they adequately reflect any changes related to the portfolio, to the Regional Water Authority Board or the capital markets.

It is understood that there can be no guarantee about the attainment of the goals or investment objectives outlined herein.

## **INTRODUCTION**

One of the important purposes of this Investment Policy Statement (IPS) is to establish a clear understanding as to the investment goals, objectives and management policies applicable to the Plans.

## **OVERVIEW COMMENTARY**

### ***Investor Information:***

Plan Names: South Central Connecticut Regional Water Authority Salaried Employees' Retirement Plan, South Central Connecticut Regional Water Authority Retirement Plan, and South Central Connecticut Regional Water Authority Retired Employees' Contributory Welfare Trust (VEBA).

90 Sargent Dr.  
New Haven, CT 06511

### ***Authorized Decision Makers***

The authorized decision maker(s) for the assets under this investment policy statement and their capacity is: Regional Water Authority Board, of which a majority must approve any decisions.

### ***Others who should receive a copy of this Investment Policy Statement:***

President of Organization  
Regional Water Authority Board  
Pension and Benefit Committee  
Members of the Pension Review Committee  
Plan Advisor  
Plan Actuary  
Plan Auditor

### ***Sponsor Entity:***

South Central Connecticut Regional Water Authority  
90 Sargent Drive  
New Haven, CT 06511

### ***Plan Trustee:***

Broadridge Matrix Trust Company  
717 17<sup>th</sup> Street, Suite 1300  
Denver, CO 80202

### ***Primary Investment Custodian:***



## *Investment Policy Statement*

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Morgan Stanley & Co.

### ***Pension Payroll Custodian:***

Broadridge Matrix Trust Company

### ***Plan Administrator:***

Regional Water Authority Board

### ***Plan Actuary:***

The Angell Pension Group, Inc.  
88 Boyd Avenue  
East Providence, RI 02914  
401-438-9250

### ***Plan Advisor:***

The Kelliher Corbett Group at Morgan Stanley  
141 Longwater Drive, Suite 102  
Norwell, MA 02061  
877-535-4437

## **OVERVIEW**

## **INVESTOR CIRCUMSTANCES**

The South Central Connecticut Regional Water Authority established the Plans for the benefit of its employees. The Plans are intended to provide eligible employees with a vehicle to receive benefits for their retirement. The Plans are qualified employee benefit plans intended to comply with all applicable federal laws and regulations, including the Internal Revenue Code of 1986, as amended.

## **INVESTMENT OBJECTIVES**

The investment objectives addressed in this investment policy statement represent the portfolio's overall investment objectives.

The Regional Water Authority Board's objectives for the investment portfolios are:

- 1) Milestone goal is to be fully funded, for the pension plans, by the end of Fiscal Year ~~2023~~2025, excluding ongoing plan service costs, subject to prevailing market conditions.
- 2) To achieve a long-term rate of return that meets the assumed actuarial rate of return.

## **TIME HORIZON**

It is the intent that the investment horizon for this portfolio is aligned with the actuarial liabilities of the Plans.

## **ANTICIPATED WITHDRAWALS**

Withdrawals will begin immediately.

For the withdrawals beginning immediately, the frequency with which they will occur will be as needed to fund benefit obligations.

Capital values fluctuate, especially so over shorter periods of time. The investor recognizes that the possibility of capital loss does exist. However, historical data suggests that the risk of principal loss can be minimized if the long-term investment mix employed under this investment policy statement is maintained over a holding period of at least five years.

## **TAX POLICY**

Tax minimization is not a concern for this investment portfolio.

## **RISK TOLERANCE**

Investment theory and historical capital market return data suggest that, over long periods of time, there is a relationship between the level of investment risk assumed and the level of return that can be expected. In general, in order to attain higher returns one must accept higher risk (e.g. volatility of return).

Given this relationship between risk and return, a fundamental step in determining the investment policy statement for the portfolio is the determination of the amount of risk the Regional Water Authority Board can tolerate.

A comfort level with investment risk influences how aggressively or conservatively a portfolio can be invested. Like a scale, risk needs to be balanced with the need for returns to achieve the investment goals. The Regional Water Authority Board desires long-term investment performance sufficient to meet the objectives. The Regional Water Authority Board understands that to achieve such performance the portfolio may experience periods of decline. The Regional Water Authority Board further understands that in a severe market, the potential recovery period could be extensive.

Although the Regional Water Authority Board prefers to limit the portfolio's volatility, they understand there will be fluctuations in the portfolios. The total portfolios should be less volatile than the global equity markets.

## **ASSET ALLOCATION**

Academic research offers considerable evidence that the asset allocation decision far outweighs security selection and market timing in its impact on portfolio variability and performance. After reviewing the long-term performance and risk characteristics of various asset classes and balancing the risk and rewards of market behavior, the following asset classes were selected to achieve the objectives of the Plans' portfolios.

Asset Class	Minimum	Maximum	Preferred
Equities	45%	60%	55%
Fixed Income	20%	45%	30%
Alternative/Asset Allocation	5%	20%	15%

The maximum allowable allocation of the aggregate portfolio to illiquid securities is 10%.  
When investing in alternative investments, the VEBA plan permits the use of liquid investments only.

### ***Portfolio Returns and Volatility***

The Regional Water Authority Board's willingness to accept risk and their expectation for investment growth have a direct bearing on the rate of return objective for this portfolio.

It should be recognized that the portfolio will invest in a variety of securities and that the actual weighting of these securities can and will vary. It is also important to note that future returns of the securities with the portfolio and the portfolio itself can be expected to vary from the historical returns.

The portfolio's historical rate of return is not a guarantee of future investment returns, nor an indication of expectation regarding future results. Future returns could differ significantly and capital loss is possible. This investment policy statement shall not be construed as offering a guarantee.

### ***Updated Allocations***

Over time, it may be desirable to amend the basic allocation. Changes to asset allocation targets and ranges must be approved by resolution(s) of the Regional Water Authority Board. When such changes are made, updates will be considered part of this investment policy statement.

### ***Rebalancing Procedures***

From time to time, market conditions may cause the portfolio's investment in various asset classes to vary from the approved allocation. To remain consistent with the asset allocation guidelines established by this investment policy statement, the Advisor shall periodically review the portfolio and each asset class in which the portfolio is invested.

This portfolio will be rebalanced periodically as follows: when the portfolio exceeds the minimum or maximum constraints (reviewed quarterly), or as determined by the Advisor.

### ***Adjustment in the Target Allocation***

Modifications to the approved allocation may be needed from time to time for a variety of reasons. When such a change to the approved allocation needs to occur, it shall only be made via an Authority resolution.

## **FREQUENCY OF INVESTMENT POLICY STATEMENT REVIEW**

The Regional Water Authority Board recognizes that all investments go through cycles and therefore there will be periods of time in which the investment objectives are not met or when specific managers fail to meet their expected performance expectations. The Regional Water Authority Board accepts the principle that, in the absence of specific circumstances requiring immediate action, patience and a longer-term perspective will be employed when evaluating investment performance.

The Advisor and Pension and Benefit Committee will meet at least bi-annually to review and update this investment policy statement.

## **LIQUIDITY**

Investor's liquidity requirements are: an amount sufficient to fund benefit obligations

The length for which these needs apply is described as: aligned with the actuarial liabilities of the Plans.

## **DIVERSIFICATION AND INVESTMENT CONSTRAINTS**

*Investment of the Plans shall be limited to securities in the following categories:*

### **Investment Types**

Individual Stocks or Bonds  
Open-ended Mutual Funds  
Closed-end Mutual Funds  
Exchange Traded Funds  
Managed Separate Accounts  
Investment Partnerships (liquid only permitted in VEBA)  
Hedge Funds/Hedge Fund of Funds (liquid only permitted in VEBA)  
Private Equity/Private Equity Funds/Private Equity Fund of Funds

### ***Portfolio Limitations and Restrictions***

The portfolio's average bond rating must be investment grade or better (excluding mutual fund/ETFs)

Maximum average bond maturity: 20 year(s).

Maximum individual bond maturity: 30 year(s).

Maximum portion of portfolio in a single diversified fund: 20%.

Maximum portion of portfolio in a single security/individual company: 3% (excluding U.S. government securities)

## SELECTION/RETENTION CRITERIA FOR INVESTMENTS

### *Investment Management Selection*

Investment managers (including mutual funds, separate account managers and limited partnership sponsors) shall be chosen using the following criteria:

- ❖ Past performance, considered relative to other investments having the same investment objective. Consideration shall be given to both performance rankings over various time frames and consistency of performance
- ❖ The historical volatility and downside risk of each proposed investment
- ❖ The likelihood of future investment success, relative to other opportunities
- ❖ Length of time the fund/manager has been in existence and length of time it has been under the direction of the current manager(s) and whether or not there have been material changes in the manager's organization and personnel
- ❖ Costs relative to other funds with like objectives and investment styles
- ❖ The manager's adherence to investment style and size objectives
- ❖ Size of the proposed fund
- ❖ How well each proposed investment complements other assets in the portfolio
- ❖ The current economic environment

## INVESTMENT MONITORING AND CONTROL PROCEDURES

### *Benchmarks*

The following benchmarks will be used to evaluate performance:

<u>Asset Class</u>	<u>Index</u>
Broad US Equities	Russell 3000
US Large Cap Equities	S&P 500
US Mid-Cap Equities	Russell Mid-Cap
US Small Cap Equities	Russell 2000
Broad International Equities	MSCI ACWI ex. USA
Developed International Equities	MSCI EAFE
Emerging Market Equities	MSCI Emerging Markets
Domestic Fixed Income	BBgBarc US Aggregate Bond/BBgBarc US Gov't/Credit Interm.
Global Fixed Income	FTSE World Global Bond Index
Hedge Funds	HFRI Hedge Fund of Funds Index
Global Real Estate	DJ Global World Real Estate
Real Assets	Morningstar US Real Assets
Commodities	S&P GSCI
Cash	BC Treasury Bill 1-3 Month

## ***Reports***

- ❖ The investment custodian shall provide South Central Connecticut Regional Water Authority management with monthly statements for each account held by the Plans and subject to this investment policy statement. Such reports shall show values for each asset and all transactions affecting assets within the portfolio, including additions and withdrawals.
- ❖ The Advisor shall provide Pension and Benefit Committee the following management reports on a periodic basis:
  - Portfolio performance results over varying time periods
  - Performance results of comparative benchmarks, including the current actuarial assumed rate of return, over varying time periods
  - Review of current asset allocation versus policy guidelines
  - Recommendations to add cost effective alternatives
  - Recommendations to reduce risk while maintaining return
  - Recommendations for changes of the above

## ***Meetings and Communication between Pension and Benefit Committee and Advisor***

As a matter of course, the Advisor shall keep The Pension and Benefit Committee apprised of any material changes in the Advisor's outlook, recommended investment policy, and tactics for performing duties and achieving policy objectives.

In addition, Advisor shall meet with Pension and Benefit Committee approximately quarterly to review and explain the portfolio's investment results and any related issues. Advisor shall also be available on a reasonable basis for telephone and email communication as needed.

## **DUTIES AND RESPONSIBILITIES**

### ***The Advisor***

The Advisor is a Registered Advisor under Morgan Stanley Smith Barney LLC and shall act as the advisor to the Regional Water Authority Board until the Regional Water Authority Board decides otherwise.

Morgan Stanley Smith Barney LLC places paramount importance on the delivery of objective, unbiased investment advice. This commitment is reinforced in all business practices, and Morgan Stanley Smith Barney LLC culture and values demand unabashed client advocacy.

While it is inevitable that conflicts may exist within a firm of Morgan Stanley Smith Barney LLC's size and breadth, there are policies and procedures in place to protect against the eventuality that such

conflicts will impact the independence of the advisory process. Morgan Stanley Smith Barney LLC fully discloses all material conflicts of interest in a Form ADV Brochure.

Advisor shall be responsible for:

- ❖ Assisting in the development and periodic review of the investment policy statement.
- ❖ Designing and implementing an appropriate asset allocation plan consistent with the investment objectives, time horizon, risk profile, guidelines and constraints outlined in this statement.
- ❖ Advising the Pension and Benefit Committee about the selection of and the allocation of asset categories.
- ❖ Identifying specific assets and investment managers within each asset category.
- ❖ Providing “due diligence”, or research, on the Investment Manager(s).
- ❖ Monitoring the performance of all selected assets the advisor consults to for the Plans.
- ❖ Recommending changes to this investment policy statement.
- ❖ Periodically reviewing the suitability of the investments for the Pension and Benefit Committee.
- ❖ Being available to meet with the Pension and Benefit Committee at least quarterly.
- ❖ Being available at such other times within reason at the Pension and Benefit Committee' request.
- ❖ Preparing and presenting appropriate reports.

### ***Discretion and Title***

- ❖ Advisor will have discretionary control to invest the Plans' funds within the parameters of this investment policy statement.
- ❖ Advisor shall have no authority to withdraw funds from the Plans, except to cover payment of previously agreed to fees or at investor's and/or Trustee's specific direction.
- ❖ Advisor may not change the Plans' investment policy statement, including the targeted asset allocation, without Regional Water Authority Board's prior approval.

### ***The Regional Water Authority Board***

Regional Water Authority Board shall be responsible for:

- ❖ The oversight of the portfolios.
- ❖ Defining and authorizing the investment objectives and policies of the portfolios.
- ❖ Authorizing any changes as they pertain to this investment policy statement. Such changes must be approved by resolution(s) of the Regional Water Authority Board.
- ❖ Directing Advisor to make changes in investment policy and to oversee and to approve or disapprove Advisor's recommendations with regards to policy, guidelines, and objectives on a timely basis.

- ❖ Providing Advisor with all relevant information on the Plans' financial conditions and risk tolerances and shall notify Advisor promptly of any changes to this information.
- ❖ Being responsible for executing the investment policy statement.
- ❖ Compliance with South Central Connecticut Regional Water Authority's Code of Ethics

### ***The Pension Review Committee***

Pension Review Committee is authorized and empowered to act as management's Committee, with instructions to defer final action on non-routine or discretionary matters until they have consulted with the Pension and Benefits Committee.

### ***The Pension and Benefit Committee***

Pension and Benefit Committee shall have the following duties and responsibilities:

- ❖ Review the funding policy and investment policy and objectives for the Plans based upon the recommendations of the Advisor.
- ❖ Monitor asset management and investment performance of the Plans through oversight of the Advisor.
- ❖ Monitor actuarial assumptions used to estimate the projected liabilities of the Plans.
- ❖ Make recommendations to the Regional Water Authority Board for changes and amendments to the Plans.
- ❖ Monitor the general administration and maintenance of the Plans through collaborative oversight with management.
- ❖ Perform any other duties or responsibilities delegated to the Committee by the Regional Water Authority Board

### ***The Plan Administrator shall be responsible for:***

1. Keeping the Plans' documents in compliance with current laws
2. Providing reports to all participants
3. Preparing all required tax and regulatory returns and documents

### ***The Investment Manager(s)***

Each Investment Manager will have full discretion to make all investment decisions for assets placed under its jurisdiction, while observing and operating within all policies, guidelines, constraints, and philosophies as outlined in this statement. Specific responsibilities of the Investment Manager(s) include:



- ❖ Discretionary investment management including decisions to buy, sell, or hold individual securities, and to alter asset allocation within the guidelines established in this statement.
- ❖ Reporting, on a timely basis, periodic investment performance results.
- ❖ Communicating any major changes to economic outlook, investment strategy, or any other factors, which affect implementation of investment process, or the investment objective progress of the Fund's investment management.
- ❖ Informing the Advisor regarding any qualitative change to investment management organization: Examples include changes in portfolio management personnel, ownership structure, investment policy statement, etc.
- ❖ Voting proxies on behalf of the Plans, and being in compliance with U.S. Securities and Exchange Commission requirements.

### ***Proxy Voting***

A member of the Pension Review Committee is empowered to exercise proxy-voting rights.

## **ADOPTION**

Adopted by the below signed:

Date: \_\_\_\_\_

| ~~Anthony DiSalvo~~ David J. Borowy, Chairperson:

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