

April 21, 2022

TO: Legal Counsel

News Media

Salinas Californian

El Sol

Monterey County Herald

Monterey County Weekly

KION-TV

KSBW-TV/ABC Central Coast

KSMS/Entravision-TV

The next regular meeting of the **PERSONNEL, PENSION AND INVESTMENT COMMITTEE - COMMITTEE OF THE WHOLE** of the Salinas Valley Memorial Healthcare System will be held **TUESDAY, APRIL 26 2022, AT 12:00 P.M., IN THE DOWNING RESOURCE CENTER, ROOMS A, B & C, AT SALINAS VALLEY MEMORIAL HOSPITAL, 450 E. ROMIE LANE, SALINAS, CALIFORNIA, OR VIA TELECONFERENCE (Visit svmh.com/virtualboardmeeting for Access Information).**

Please note: Pursuant to SVMHS Board Resolution No. 2022-05, Assembly Bill 361, and guidance from the Monterey County Health Department in response to concerns regarding COVID-19, Board Members of Salinas Valley Memorial Healthcare System, a local health care district, are permitted to participate in this duly noticed public meeting via teleconference and certain requirements of The Brown Act are suspended.



Pete Delgado
President/Chief Executive Officer

Committee Members: Regina M. Gage, Chair; Richard Turner, Vice Chair; Pete Delgado, President/CEO; Augustine Lopez, CFO; Michelle Childs, Chief Human Resources Officer; Glenn Berry, MD, Medical Staff Member; Tony Redmond, Community Member

**PERSONNEL, PENSION AND INVESTMENTS COMMITTEE MEETING – APRIL 2022
COMMITTEE OF THE WHOLE
SALINAS VALLEY MEMORIAL HEALTHCARE SYSTEM**

**TUESDAY, APRIL 26, 2022
12:00 P.M. – DOWNING RESOURCE CENTER, ROOMS A, B & C
SALINAS VALLEY MEMORIAL HOSPITAL
450 E. ROMIE LANE, SALINAS, CALIFORNIA
OR BY PHONE OR VIDEO
(Visit svmh.com/virtualboardmeeting for Access Information)**

Please note: Pursuant to SVMHS Board Resolution No. 2022-05, Assembly Bill 361, and guidance from the Monterey County Health Department in response to concerns regarding COVID-19, Board Members of Salinas Valley Memorial Healthcare System, a local health care district, are permitted to participate in this duly noticed public meeting via teleconference and certain requirements of The Brown Act are suspended.

AGENDA

1. Approval of Minutes from the Personnel, Pension and Investment Committee Meeting of March 22, 2022 (DELGADO)
 - Motion/Second
 - Action by Committee/Roll Call Vote

2. Consider Recommendation for Board Approval of (i) the Findings Supporting Recruitment of Maija Swanson, MD (ii) the Contract Terms for Dr. Swanson’s Recruitment Agreement, and (iii) the Contract Terms for Dr. Swanson’s Family Medicine Professional Services Agreement (RADNER/CALLAHAN)
 - Staff Report
 - Committee Questions to Staff
 - Motion/Second
 - Public Comment
 - Committee Discussion/DeliberationAction by Committee/Roll Call Vote

3. Consider Recommendation for Board Approval of (i) the Contract Terms and Conditions for the Hospitalist Professional Services Agreement for Carolina Zanevchic, MD and (ii) the Contract Terms and Conditions for Dr. Zanevchic’s COVID-19 Physician Loan Agreement (RADNER/CALLAHAN)
 - Staff Report
 - Committee Questions to Staff
 - Motion/Second
 - Public Comment
 - Committee Discussion/DeliberationAction by Committee/Roll Call Vote

4. Review Investment Performance of SVMHS’s General & Board Designated Funds (CLEVELAND/TIM SKELLY OF GRAYSTONE CONSULTING)

5. Financial and Statistical Review (CLEVELAND)

6. Public Input

This opportunity is provided for members of the public to make a brief statement, not to exceed three (3) minutes, on issues or concerns within the jurisdiction of this District Board which are not otherwise covered under an item on this agenda.

7. No Closed Session

8. Adjournment - The May 2022 Personnel, Pension and Investment Committee Meeting is scheduled for **Tuesday, May 24, 2022 at 12:00 p.m.**

Notes: This Committee meeting may be attended by Board Members who do not sit on this Committee. In the event that a quorum of the entire Board is present, this Committee shall act as a Committee of the Whole. In either case, any item acted upon by the Committee or the Committee of the Whole will require consideration and action by the full Board of Directors as a prerequisite to its legal enactment.

The Committee packet is available at the Committee Meeting, at www.svmh.com, and in the Human Resources Department of the District. All items appearing on the agenda are subject to action by the Committee.

Requests for a disability related modification or accommodation, including auxiliary aids or services, in order to attend or participate in a meeting should be made to the Executive Assistant during regular business hours at 831-755-0741. Notification received 48 hours before the meeting will enable the District to make reasonable accommodations.

**MINUTES OF THE MARCH 2022
PERSONNEL, PENSION AND INVESTMENT COMMITTEE MEETING
COMMITTEE OF THE WHOLE
SALINAS VALLEY MEMORIAL HEALTHCARE SYSTEM**

**TUESDAY, MARCH 22, 2022
12:00 P.M. – DOWNING RESOURCE CENTER, ROOMS A, B & C
SALINAS VALLEY MEMORIAL HOSPITAL
450 E. ROMIE LANE, SALINAS, CALIFORNIA
OR VIA TELECONFERENCE**

Pursuant to SVMHS Board Resolution No. 2022-02, Assembly Bill 361, and guidance from the Monterey County Health Department in response to concerns regarding COVID-19, Board Members of Salinas Valley Memorial Healthcare System, a local health care district, are permitted to participate in this duly noticed public meeting via teleconference and certain requirements of The Brown Act are suspended.

Committee Members Present: In person: Regina Gage, Chair, Pete Delgado, Augustine Lopez, Michelle Childs, Glenn Berry, MD. Via teleconference: Richard Turner, Vice-Chair, Tony Redmond

Committee Members Absent: None

Other Board Members Present, Constituting Committee of the Whole: None

A quorum was present and the meeting was called to order at 12:02 p.m. by Director Gage, Committee Chair.

Approval of Minutes from the Personnel, Pension and Investment Committee Meeting of February 22, 2022

Pete Delgado, President/Chief Executive Officer, recommended the Personnel, Pension and Investment Committee approve the minutes of the Personnel, Pension and Investment Committee Meeting of February 22, 2022. This information was included in the Committee packet.

No Public Comment.

MOTION: The Personnel, Pension and Investment Committee approves the minutes of the Personnel, Pension and Investment Committee Meeting of February 22, 2022, as presented.

Moved/Seconded/Roll Call Vote: Ayes: Gage, Turner, Delgado, Lopez, Childs, Redmond; Noes: None; Abstentions: None; Absent: Berry; Motion Carried.

Glenn Berry, MD joined the meeting in person at 12:08 p.m.

Employer Contribution to the Defined Contribution Plan

Michelle Barnhart Childs, Chief Human Resources Officer, reported Non-affiliated employees and SVMC physicians are eligible for the Defined Contribution Plan (i.e. 403b plan) which offers employer basic and matching contributions to eligible employees. In the first quarter of each year, the employer contribution is made based on eligibility in the prior year.

On March 7, 2022, SVMH made the calendar year 2021 basic and matching contributions to the defined contribution plan as follows:

SVMH (11th year of eligibility):

\$3,084,874: Basic Contribution (5% of eligible compensation)

\$2,451,767: Matching Contribution (100% match from 3-8% of eligible compensation)**\$5,536,641: Total Employer Contribution**

423 out of 517 employees received the employer contribution.

SVMC (7th year of eligibility):

\$1,443,792: Basic Contribution (5% of eligible compensation)

\$ 0: Matching Contribution (not eligible)**\$1,443,792: Total Employer Contribution**

109 out of 112 district clinic physicians and non-physicians received an employer contribution.

Employer Contribution Grand Total: \$6,980,433

Less Forfeiture Balance: \$ 754,450

Total amount wired: \$6,225,973**Review Investment Performance for Quarter Ending December, 2021 of SVMHS'S 403(b) Plan, 457 Plan and Employee Pension Plan**

Augustine Lopez, Chief Financial Officer, introduced Steven Kjar, Vice President and Frank Salb, Director of Investments, Lockton Retirement Services an offering of Creative Planning, who provided an Economic and Market Update as of December 31, 2022 of SVMHS's 403(b) plan, 457 Deferred Compensation Plan, and the Employees' Defined Benefit Pension Plan. This information was included in the Committee packet. Mr. Kjar and Mr. Salb provided the following key highlights:

403(b) Plan and 457(b) Plan Review

Lockton reviewed the investment lineup, investment performance and plan assets in both the 403(b) and 457(b) Plans as of December 31, 2021. Total assets of the 403(b) plan were \$111,393,075.21; and total assets of the 457 Deferred Compensation Plan were \$18,036,890.74. The 403(b) and 457(b) Plans both offer the same investment fund lineup to participants. All investments in both plans are meeting current metrics and no investments have been placed on watch at this time.

Pension Plan Review

Lockton reviewed the performance of the pension plan relative to plan benchmarks. This information is as of December 31, 2021 and was provided.

- a. One Year Performance
 - Actual: 12.06%
 - Benchmark: 12.01%
- b. Three Year Performance
 - Actual 14.71%
 - Benchmark 14.39%
- c. Five Year Performance
 - Actual 10.44%
 - Benchmark 9.81%
- d. Since Inception
 - Actual 11.07%

Performance information obtained from Trust Reports prepared by Transamerica. Performance is actual performance for time period listed and returns are net of investment management fees.

Market and Economic Overview

Jason Odom, Executive Vice President; Rich Merson, Vice President, of PIMCO provided a market and economic overview of the Salinas Valley Memorial Healthcare System Employees' Pension Plan for the period ending December 31, 2021 and also provided commentary on the market and economy since the beginning of 2022.

1. PIMCO's Macroeconomic Outlook
 - a. Global economic growth and inflation will moderate in 2022
 - b. Even with moderating inflation, PIMCO expects additional risk to be associated with market
 - c. Federal Reserve is signaling rate increases
 - i. Last week the Federal Funds rate was increased by .25% and the market has priced for 6 additional rate increases in 2022
 - d. Even with rate increases, market conditions remain "easy" but this is subject to quick and abrupt change
 - e. PIMCO does not project a recession in 2022 at this time
 - f. Geopolitical risk is real and will have a negative impact on market in short term
2. Market Cycle
 - a. Market appears to be "late stage" at this time
 - b. Low probability of recession in short term but intermediate term is much more difficult to predict at this time
3. Equity Valuations
 - a. Appear to be fair at this time. Market does appear to be "late stage"
 - b. Factors impacting market in 2022
 - i. COVID and new variants
 - ii. Inflation
 - iii. Hawkish central banks
 - iv. Geopolitical risk
4. Asset Class Views
 - a. PIMCO looked at a variety of asset classes and provided commentary on these classes as they relate to investors
 - b. Diversification will continue to be an important concept for investors as they attempt to mitigate volatility
5. Questions for PIMCO
 - a. Define short term/intermediate term
 - i. PIMCO had several comments differentiating short and intermediate term
 - ii. Short term is approximately 6-12 months
 - b. Interest Rates
 - i. With Interest Rates still at relatively low levels, will increasing rates have any real impact on the economy?
 1. Yes, governmental debt increased substantially around the world as a result of the pandemic
 2. The increase in rates will increase the cost of servicing this debt
 - c. Negative real interest rates
 - i. With challenging yield, we will have negative real investment returns in bonds. Does this inform us as to where to invest assets?
 - ii. Perhaps, but there is also risk in investing in stocks. Remaining diversified across a number of different investments remains the best approach to the uncertain risks that exist in the marketplace

Consider Recommendation for Board Approval to Fund an Additional Amount to the Salinas Valley Memorial Healthcare District Employees' Pension Plan

Augustine Lopez, Chief Financial Officer, reported the Hospital's consulting actuaries calculated the Net Pension Liability at 12/31/2020 to be \$42,237,804. Overall, SVMHS continues its trend to be in a strong financial position while improving its revenue cycle processes and building its days cash on hand as of February 2022 to be 376 days. SVMHS's financial performance continues to be strong despite having made the necessary investments in operations to support the organization, its patients and community for over two years now during the Covid-19 Pandemic.

SVMHS is now in a financial position to optimize its investment returns by contributing additional funds to its diversified investment portfolio of the Defined Benefit Pension Plan. This investment compares favorably to that of the hospital's general investments. While SVMHS's financial position and future challenges is always under review, the goal at this time is to become fully funded under GASB, maximize its investment returns, reduce its pension expense, and continue to improve the organization's overall financial position. This contribution does not negatively affect the current credit rating.

It was agreed this speaks highly to the organization's commitment to its employees.

No Public Comment.

MOTION: The Personnel, Pension and Investment Committee recommends to the SVMHS Board of Director approval to make an additional contribution of \$45,000,000 (Forty-Five Million Dollars) to the Salinas Valley Memorial Healthcare District Employees' Pension Plan for Calendar Year 2022 in addition to the actuarially determined required minimum contribution. The contribution would be made on or before the end of Calendar Year 2022.

Moved/Seconded/Roll Call Vote: Ayes: Gage, Turner, Delgado, Lopez, Childs, Berry, Redmond; Noes: None; Abstentions: None; Absent: None; Motion Carried.

Financial and Statistical Review

Augustine Lopez, Chief Financial Officer, provided a financial and statistical performance review for the month ending February 2022. This information was included in the Committee packet

Key highlights of the financial summary for February 2022 were: (1) Income from operations was \$9.0 million with an operating margin of 14%, (2) Net income was \$3.1M with a net operating margin of 8.5%; (3) Inpatient gross revenues were favorable to the budget; (4) Emergency Department gross revenues were favorable to the budget; outpatient gross revenues were favorable to the budget; (5) Payor mix was unfavorable to the budget; (6) Total net patient revenues were favorable to the budget; outpatient and inpatient surgeries were above budget; (7) Average daily census and total admissions were above budget; (8) Total acute average length of stay (ALOS) Medicare traditional ALOS CMI adjusted was favorable; (9) Labor productivity was unfavorable to the budget; (10) Operating revenues were above expenses; (11) Days cash on hand was 376; days of net accounts receivable is 52.

No Public Input

Closed Session

Regina Gage, Chair, announced that the item to be discussed in Closed Session is *Conference with Labor Negotiator – Concerning National Union of Healthcare Workers, California Nurses Association, Local 39 and ESC Local 20*. The meeting was recessed into Closed Session under the Closed Session protocol at 1:03 p.m.

Reconvene Open Session/Report on Closed Session

The Committee reconvened Open Session at 1:10 p.m. Regina Gage reported that in Closed Session, the Committee discussed: *Conference with Labor Negotiator – Concerning National Union of Healthcare Workers, California Nurses Association, Local 39 and ESC Local 20*. No action was taken in the Closed Session.

Adjournment

There being no other business, the meeting was adjourned at 1:11 p.m. The April 2022 Personnel, Pension and Investment Committee Meeting is scheduled for **Tuesday, April 26, 2022, at 12:00 p.m.**

Regina M. Gage, Chair
Personnel, Pension and Investment Committee
/kmh

**RECOMMENDATION OF THE MARCH 2022
PERSONNEL, PENSION & INVESTMENT COMMITTEE MEETING
COMMITTEE OF THE WHOLE
SALINAS VALLEY MEMORIAL HEALTHCARE SYSTEM**

**March Committee Meeting
of March 22, 2022
to the Board of Directors**

1. **CONSIDER RECOMMENDATION FOR BOARD APPROVAL TO MAKE AN ADDITIONAL CONTRIBUTION OF \$45,000,000 TO THE SALINAS VALLEY MEMORIAL HEALTHCARE DISTRICT EMPLOYEES' PENSION PLAN FOR CALENDAR YEAR 2022**

RECOMMENDATION: The Personnel, Pension and Investment Committee recommends to the SVMHS Board of Director approval to make an additional contribution of \$45,000,000 to the Salinas Valley Memorial Healthcare District Employees' Pension Plan for Calendar Year 2022

Board Paper: Personnel, Pension and Investment Committee

Agenda Item: **Consider Recommendation for Board Approval of (i) the Findings Supporting Recruitment of Maija Swanson, MD (ii) the Contract Terms for Dr. Swanson's Recruitment Agreement, and (iii) the Contract Terms for Dr. Swanson's Family Medicine Professional Services Agreement**

Executive Sponsor: Allen Radner, MD, Chief Medical Officer
Stacey Callahan, Physician Services Coordinator

Date: April 13, 2022

Executive Summary

In consultation with members of the medical staff, hospital executive management has identified the recruitment of a physician specializing in family practice as a recruiting priority for the hospital's service area. Based on the Medical Staff Development Plan, completed by ECG Management Group in October 2019, the specialty of Family Medicine is recommended as a top priority for recruitment. Adding a family practice physician will have a significant impact on reducing the current average wait time for a new patient appointment at Salinas Valley Medical Clinic.

The recommended physician, Maija Swanson, MD, received her Doctor of Medicine degree in 2018 from Rush University Medical College in Chicago. Dr. Swanson completed her Family Medicine Residency at Saint Joseph Hospital in Denver and is Board certified by the American Board of Family Medicine. She will graduate from the Maternity Care and Obstetrics Fellowship Program at Saint Joseph Hospital this August. Dr. Swanson speaks conversational and medical Spanish. She plans to join SVMC PrimeCare in October.

Terms and Conditions of Agreements

The proposed physician recruitment requires the execution of two types of agreements:

1. **Professional Services Agreement Essential Terms and Conditions.** The proposed professional services agreement includes the following terms:
 - Professional Services Agreement that provides W-2 relationship for IRS reporting
 - Two (2) year term for the PSA
 - 1.0 Full-Time Equivalent (FTE)
 - Base guarantee salary of two hundred sixty-five thousand dollars (\$265,000) per year, and to the extent it exceeds the base salary, productivity compensation of fifty seven dollars and sixty five cents (\$57.65) work Relative Value Unit (wRVU)
 - Access to SVMHS Health Plan. Physician premium is projected based on 15% of SVMHS cost
 - Access to SVMHS 403(b) and 457 retirement plans. 5% base contribution to 403b plan that vests after three years. Based on federal contribution limits this contribution is capped at fifteen thousand two hundred fifty dollars (\$15,250) annually
 - Four (4) weeks off for vacation
 - Two thousand dollars (\$2,000) annual stipend for Continuing Medical Education (CME)
 - The physician will receive professional liability coverage through BETA Healthcare Group

2. **Recruitment Agreement** that provides a sign-on bonus of fifty thousand dollars (\$50,000) and is structured as forgivable loan over 2 years of service to SVMHS.

Meeting our Mission, Vision, Goals Strategic Plan Alignment:

The recruitment of Dr. Swanson is aligned with our strategic priorities for the growth and finance pillars. We continue to develop Salinas Valley Medical Clinic infrastructure that engages our physicians in a meaningful way, promotes efficiencies in care delivery and creates opportunities for expansion of services. This investment provides a platform for growth that can be developed to better meet the needs of the residents of our District by opening up access to care regardless of insurance coverage or ability to pay for services.

Pillar/Goal Alignment:

Service People Quality Finance Growth Community

Financial/Quality/Safety/Regulatory Implications

The addition of Dr. Swanson to SVMC has been identified as a need for recruitment while also providing additional resources and coverage for the SVMC PrimeCare Salinas practice.

The compensation proposed in these agreements have been reviewed against published industry benchmarks to confirm that the terms contemplated are fair market value and commercially reasonable.

Recommendation

SVMHS Administration requests that the Personnel, Pension and Investment Committee recommend to the SVMHS Board of Directors approval of the following:

1. **The Findings Supporting Recruitment of Maija Swanson, MD,**
 - **That the recruitment of a family medicine physician to Salinas Valley Medical Clinic is in the best interest of the public health of the communities served by the District; and**
 - **That the recruitment benefits and incentives the hospital proposes for this recruitment are necessary in order to attract and relocate an appropriately qualified physician to practice in the communities served by the District;**
2. **The Contract Terms of the Recruitment Agreement for Dr. Swanson; and**
3. **The Contract Terms of the Family Medicine Professional Services Agreement for Dr. Swanson.**

Attachments

- (1) Curriculum Vitae – Maija Swanson, MD

MAIJA SWANSON

EDUCATION

- Maternity Care and Obstetrics Fellowship**, Denver, CO **August 2021 – Present**
Saint Joseph Hospital Family Medicine Residency, Fellow and Junior Faculty Member
- Saint Joseph Hospital Family Medicine Residency**, Denver, CO **June 2018 – June 2021**
Board certified in Family Medicine, May 2021 - Present
- Rush University Medical College**, Chicago, IL **August 2014 – April 2018**
Doctor of Medicine
Awards/Honors: Family Medicine Leads Scholarship, Nidhi K. Watson Student Travel Scholarship, Dean's Office Summer Research Fellowship
- Santa Clara University**, Santa Clara, CA **September 2008-June 2012**
Bachelor of Science in Biology, Minors in Public Health Sciences and in Religious Studies
Awards/Honors: Cum Laude, Biological Honors Society (Tri-Beta), Santa Clara Panhellenic Honors Society, Religious Studies Honor Society (Theta Alpha Kappa), Dean's Scholar

LICENSES AND CERTIFICATIONS

- Colorado State Full Medical License, exp. April 2023
- DEA license, exp. February 2023
- Advanced Cardiac Life Support, exp. July 2022
- Neonatal Resuscitation Program Certification, exp. July 2022
- Advanced Life Support in Obstetrics Certification, exp. June 2024
- Pediatric Advanced Life Support Certification, exp. October 2022
- Advanced Trauma Life Support, exp. September 2024

RESEARCH PRESENTATIONS AND PUBLICATIONS

- Swanson, M**, Bovet, C, Harper, M. Improving Rates of Low Dose Aspirin Initiation in Patients at Risk for Preeclampsia. *STFM Annual Conference, June 2021*
- Roberts, M, Weeks, S, **Swanson, M**, Carpenter, R, Seitz, K. As You Wish: Improving Discussion and Documentation of MDPOA at Time of Admission on a Resident-Staffed Inpatient Service. *Oral presentation at the Society of Teachers in Family Medicine Annual Spring Conference, August 2020*
- Swanson, M**, Bovet, C, Harper, M. Improving Rates of Low Dose Aspirin Initiation in Patients at Risk for Preeclampsia. "Shark Tank" at the 27th annual Rocky Mountain Research Forum, May 2020
- Wade, L, **Swanson, M**, Thomas, L, Yerelian, E. Who Ya Gonna Call? Increasing MDPOA Documentation with a Dedicated Clinic Workflow. "Shark Tank" Presentation at the 26th annual Rocky Mountain Research Forum, Denver, CO, May 2019
- O'Keefe, J. A., Robertson, E. E., Ouyang, B., Carns, D., McAsey, A., Liu, Y., **Swanson, M.**, ... & Hall, D. A. (2018). Cognitive function impacts gait, functional mobility and falls in fragile X-associated tremor/ataxia syndrome. *Gait & Posture, 66*, 288-293.
- Swanson M**, Parish A, Chapman-Gould J. videoPEACH: Using Mobile Video in the Hospital. *Workshop at the annual Humanities in Medicine Symposium, Rochester, MN October 2017*
- Swanson M.** The Importance of a Holistic and Patient-Centered Approach to Breast Cancer Management. *Poster presentation at the Rush Medical College Capstone Symposium, Chicago, IL, May 2017*
- Swanson M**, Robertson-Dick E, Berry-Kravis E, Hall DA, O'Keefe JA. Lower executive function negatively impacts gait and balance in Fragile X premutation carriers with and without fragile X-associated tremor/ataxia syndrome (FXTAS). *Oral and poster presentations at the American Academy of Neurology Annual Meeting, Vancouver, BC, April 2016*

Maija Swanson Page 2

RESIDENCY LECTURE PRESENTATIONS

Labor curves and labor dystocia, Hypertensive urgency and emergency, An integrative approach to dietary counseling, Knot tying, Preeclampsia, Performing a thoracentesis

PROCEDURAL COMPETENCIES

Current

- Punch, shave and excision biopsy
- Lipoma removal
- Nexplanon placement and removal
- IUD placement and removal
- Endometrial biopsy
- Obstetric ultrasound: dating scan, growth scan, cervical length, biophysical profile
- Joint and soft tissue injections
- Splinting and casting
- Laceration repair
- Circumcision
- Paracentesis
- Thoracentesis
- Central line placement
- Intubation and ventilator management
- Lumbar puncture

Planned Competency During Fellowship

- Cesarean delivery
- Vacuum assisted vaginal delivery
- External cephalic version
- Colposcopy
- LEEP
- Vasectomy

VOLUNTEER AND LEADERSHIP EXPERIENCE

Saint Joseph Hospital Family Medicine Residency

- **Faculty Education Committee**, August 2021 – Present
- **Program Evaluation Committee Resident Member**, November 2019 – June 2021
- **Family Medicine Service Improvement Workgroup**, March 2019 – June 2021
- **Obstetrics Emphasis Track**, January 2019 – June 2021
- **Family Medicine Resident Wellness Committee**, December 2018 – June 2021
- **Saint Joseph Hospital GME Wellness Committee**, December 2018 – June 2021
- **Integrative Medicine Emphasis Track**, June 2018 – June 2021

Rush University Medical College

- **Core Curriculum Workgroup Member**, March 2015 – April 2018
- **Anatomy Tutor**, September 2015 – March 2016
- **Dean's Office Summer Research Fellow**, May 2015 – August 2015
- **Careers in Medicine Interest Group Leader**, January 2015 – January 2016
- **Free Clinic Volunteer and Scheduling Coordinator**, November 2014 – April 2018
- **videoPEACH Rush Community Services Initiative Program Volunteer**, October 2014 – April 2018

HOBBIES AND INTERESTS

Cooking, gardening, hiking, backpacking, skiing, conversational and medical Spanish, travel

Board Paper: Personnel, Pension and Investment Committee

Agenda Item: **Consider Recommendation for Board Approval of (i) Contract Terms and Conditions for a Hospitalist Professional Services Agreement for Carolina Zanevchic, MD and (ii) Terms and Conditions for Dr. Zanevchic's COVID-19 Physician Loan Agreement**

Executive Sponsor: Allen Radner, MD, Chief Medical Officer
Stacey Callahan, Physician Services Coordinator

Date: April 13, 2022

Executive Summary

The hospitalist program for Salinas Valley Memorial Healthcare System (SVMHS) operates under Salinas Valley Medical Clinic (SVMC). The SVMC Hospitalist Program focuses on increasing patient satisfaction and referring-provider satisfaction, and improved retention of hospitalist physician staff. Due to the growth SVMHS has experienced in the adult daily census at the hospital, the need to recruit and retain hospitalists to the program remains a priority. In addition, due to the COVID-19 pandemic there is a shortage of and need for hospitalist physicians to cover the SVMHS service area. This shortage jeopardizes SVMHS' ability to provide necessary healthcare services to the inpatients at Salinas Valley Memorial Hospital. Furthermore, one of the current full-time hospitalists will be relocating out of the area this fall emphasizing the need to recruit another hospitalist to the program.

The recommended physician, Dr. Carolina Zanevchic, MD received her Doctor of Medicine degree in Moldova. She continued her medical training in Illinois and completed her Family Medicine Residency at Loyola University Medical Center Cook County in 2017. Since completing her Family Medicine training, Dr. Zanevchic has been working as a hospitalist at Natividad Medical Center. Dr. Zanevchic is Board Certified by the American Board of Family Medicine and will join the SVMC Hospitalist Medicine program in September.

Terms and Conditions of Agreements

1. **Hospitalist Professional Services Agreement** Essential Terms and Conditions:

- Professional Services Agreement (PSA) with Standard Terms and Conditions that provides W-2 reporting of physician compensation as an independent contractor
- Two (2) year term for the PSA
- Physician compensation for services under the PSA in the amount of \$149.96 per hour for the hours of 7am-7pm, and \$159.96 per hour for the hours of 7pm-7am
- Expectation of the fifteen (15) twelve (12) hour shifts per month and no less than one hundred eighty (180) twelve (12) hour shift per year
- Hospitalist shifts in excess of one hundred eighty (180) twelve (12) hour shifts per year, will be compensated at an additional \$70.00 per hour credited during each excess shift
- 1.0 Full-Time Equivalent (FTE)
- Eligible to participate in the Performance Incentive Program. Eligibility requirements of at least one thousand (1,000) hours worked during the measurement period and a current PSA at time of payment
- Access to SVMHS Health Plan. Physician premium is projected based on 15% of SVMHS cost
- Access to SVMHS 403(b) and 457 retirement plans. Five percent (5%) base contribution to 403b plan that vests after three (3) years. Based on federal contribution limits this contribution is capped at fifteen thousand two hundred fifty dollars (\$15,250.00) annually
- CME Stipend. Two thousand dollars (\$2,000) annual stipend for Continuing Medical Education (CME).

- Professional Liability Coverage. Occurrence-based professional liability policy through BETA Healthcare Group.

2. **COVID-19 Physician Loan Agreement** Essential Terms and Conditions:

- CMS has issued blanket waivers of sanctions under the physician self-referral law for COVID-19 Purposes. These blanket waivers provide vital flexibility for physicians and providers in the fight against COVID-19. Pursuant to these COVID-19 Blanket Waivers, SVMHS is permitted to extend a loan in the amount of twenty-five thousand dollars (\$25,000.00) to Dr. Zanevchic to secure her services as a Hospitalist with SVMC.
- The COVID-19 Physician Loan is secured by a personal promissory note for the full amount of the loan. The loan is forgiven over the period of two (2) years of service provided by Dr. Zanevchic to SVMHS as permitted under the CMS COVID-19 Blanket Waivers.

Meeting our Mission, Vision, Goals

Strategic Plan Alignment:

The addition of Dr. Zanevchic to the SVMC Hospitalist program is aligned with SVMHS' strategic priorities for service, quality, finance and growth pillars. We continue to develop SVMC infrastructure that engages our physicians in a meaningful way, promotes efficiencies in care delivery and creates opportunities for expansion of services. This investment provides a platform for growth that can be developed to better meet the needs of the residents of our District by opening up access to care regardless of insurance coverage or ability to pay for services.

Pillar/Goal Alignment:

Service People Quality Finance Growth Community

Financial/Quality/Safety/Regulatory Implications

The compensation proposed in the PSA has been reviewed by HealthWorks, an independent valuation and compensation consulting firm, to confirm that the terms contemplated are both commercially reasonable and fair market value.

Recommendation

SVMHS Administration requests that the Personnel, Pension and Investment Committee recommend to the SVMHS Board of Directors approval of the following:

1. **The Contract Terms and Conditions of the Hospitalist Professional Services Agreement for Dr. Zanevchic as presented in this Board Paper.**
2. **The Contract Terms and Conditions of the COVID-19 Physician Loan Agreement for Dr. Zanevchic as presented in this Board Paper.**

Attachments

- Curriculum Vitae for Carolina Zanevchic, MD

CURRICULUM VITAE

Carolina Zanevchic RN, MSN, FNP-BC, MD

Objective: Hospitalist

Medical training

07/2017- 06/2018 Doctorate of Medicine
Cook County Family Medicine Residency Program, Chicago, IL

07/2016-06/2017 Loyola Cook County Family Medicine Residency Program, Chicago, IL
Inpatient and outpatient rotations at Loyola University Medical Center, Edward Hines Veterans
Administration Hospital, Cook County Hospital, Near South Health Center.

07/2015 – 06/2016 Swedish Covenant Hospital Family Medicine Residency, IL
Continuity clinics at Erie Family Health Center (Foster Avenue site; FQHC)

Education

06/2011 DePaul University, Chicago, IL
Family Nurse Practitioner – Board Certified

06/2009 DePaul University, Chicago, IL
Nursing, MSN

09/2001 Robert Morris University, Chicago, IL
Health Care Management, BBA

07/1999 Robert Morris College, Chicago, IL
Medical Assistance, AAS

06/1996 State Medical and Pharmaceutical University, Chisinau, Moldova
Doctorate of Medicine

Licenses:

11/2021 -present Licensure State of Florida Medical Board #ME153771
12/2017- present Licensure State of California Medical Board #A153249
06/2017- present ACLS and BLS certified
09/2011- present Family Nurse Practitioner-Board Certified, Illinois -active
07/2009- present Registered Nurse, Illinois - active

Certification:

11/2018 American Board of Family Medicine #1058994579
11/2012 Fundamentals of Clinical Research course/certification
09/2011 NPI # 1518236892
06/2011 Advance Nurse Practitioner (FNP)

Professional positions:

08/2018-present Sound Physicians. Natividad Medical Center, Salinas, CA
Hospitalist
Graduate Medical Education Committee and Medical staff quality review committee member

9/22/14 – 6/29/15	Weiss Hospital, Chicago IL Family Nurse Practitioner General/Vascular/Urology Surgery
3/5/12 – 9/19/14	University of Chicago, Chicago, IL Family Nurse Practitioner Neuro Interventional Radiology
10/11- 3/2/12	Private Practice, Urology, Evanston, IL Family Nurse practitioner
08/09- 3/1/12	Swedish Covenant Hospital, Chicago, IL Registered Nurse, Medical-Surgical Unit
05/00- 07/2009	Robert Morris University, Chicago, IL Senior Admissions Counselor/Instructor Surgical Technology/Nursing Coordinator/ Faculty member

Honors and awards

2020-2021	Natividad Family Medicine residency program teaching award
2008	Sigma Theta Tau International
2005	Winner of 2004 Vice President's Award. Robert Morris University
2003	Winner of 2003 Award. Robert Morris University

Membership: AAFP
Society of Hospital Medicine

Language: Russian – (Native speaking)
Romanian – (Fluent)
Spanish- currently in learning process

Additional Skills: Proficient in Cerner, Meditech and working knowledge in EPIC

Citizenship status: Citizen of United States of America

Interests/Hobbies: Traveling, Dancing, Asian Art

References: available upon request



Salinas Valley Memorial Healthcare System

Personnel, Pension and Investment Committee Meeting

April 26th, 2022

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SECTION 1

Capital Markets Overview

Capital Markets Overview

Topics of Discussion:

- Rates
- Inflation
- Growth
- Earnings
- Valuations
- Risk & Opportunities

BENCHMARK	YTD 2022*	TRAILING 1 YEAR*	2021	PRIOR PEAK TO TROUGH**	SINCE MARKET TROUGH***
BC Aggregate	(5.93%)	(4.15%)	(1.54%)	(0.94%)	(0.72%)
BC Govt 1-3 Year	(2.51%)	(3.05%)	(0.60%)	2.06%	(1.25%)
BC Credit Baa	(7.88%)	(4.11%)	(0.40%)	(15.79%)	7.59%
BC High Yield	(4.84%)	(0.66%)	5.28%	(20.76%)	15.48%
FTSE WGBI	(5.45%)	(3.44%)	(2.30%)	2.83%	(3.89%)
JPM EM Bonds	(10.02%)	(7.44%)	(1.80%)	(20.70%)	6.98%
MSCI ACWI	(5.26%)	7.73%	19.04%	(33.60%)	38.44%
S&P 500	(4.60%)	15.65%	28.71%	(33.79%)	43.98%
Russell 2000	(7.53%)	(5.79%)	14.82%	(40.66%)	44.79%
MSCI ACWI exUS	(5.33%)	(1.04%)	8.29%	(32.91%)	30.29%
MSCI EM	(6.92%)	(11.08%)	(2.22%)	(31.15%)	25.52%
HFRI FoF Comp	(2.52%)	1.40%	5.94%	(1.28%)	7.20%
90-Day T-Bill	0.03%	0.06%	0.05%	0.14%	0.15%

*YTD and Trailing 1 Year as of 03/31/2022

**Prior Peak to Trough: 2/19/2020-3/23/2020

***Since Market Trough: 3/23/2020-03/31/2022

Current Indicators: Fixed Income Valuation

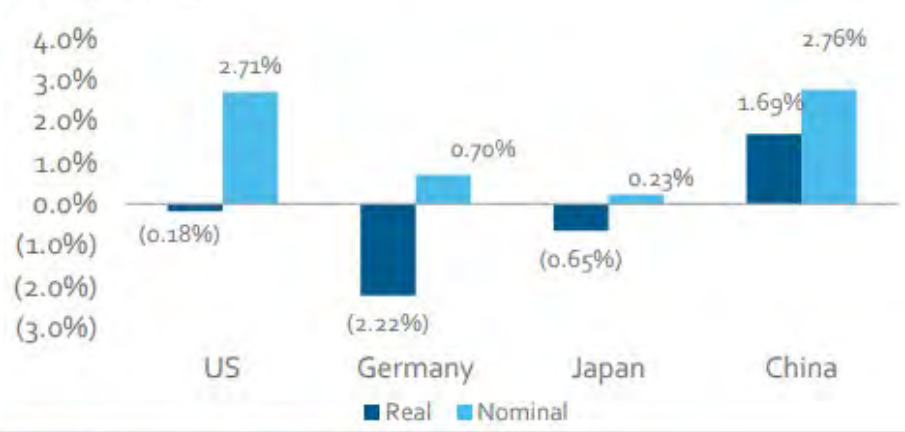
Treasury Valuation by Maturity

As of April 8, 2022

US Treasury Benchmark	Yield (%)			Total Return (%)
	Current	ΔWTD	ΔYTD	YTD
3-Month	0.68	0.17	0.65	0.03
1-Year	2.51	0.06	1.78	-2.75
5-Year	2.75	0.20	1.49	-6.18
10-Year	2.70	0.32	1.19	-9.46
30-Year	2.72	0.29	0.82	-15.84
2-Yr./10-Yr. Spread (bp)	18.85	26.27	-58.94	-
10-Yr. TIPS Breakeven (bp)	288.81	6.79	29.34	-
Interest Rate Volatility† (bp)	124.86	16.52	58.28	-

10-Year Global Government Bond Yields

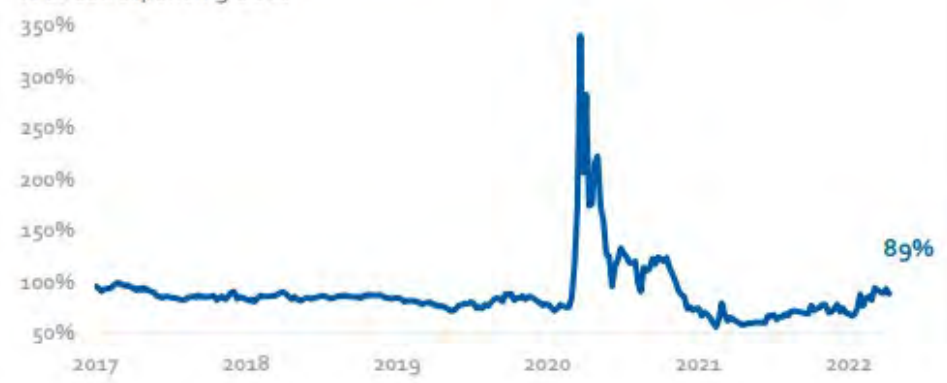
As of April 8, 2022



10-Year Relative Value Ratio (Municipal Yield/Treasury Yield)

As of April 8, 2022

% of Corresponding USTs



Source: Bloomberg, Haver Analytics, Evercore ISI Investor Surveys, Commitments of Traders (COT) Report, Morgan Stanley Wealth Management GIC. Option Adjusted Spread (OAS) is a measurement of the spread of a fixed income security rate and the risk-free rate of return, which is adjusted to take into account an embedded option. The risk-free rate represents the interest an investor would expect from an absolutely risk-free investment over a specified period of time.

Fixed Income Valuation by Rating

As of April 8 2022

Investment Grade	MBS*	Duration	Yield-to-	OAS	Rich	OAS Range**		Cheap
		(Yrs.)	Worst (%)	(bp)		Past Two Years (bp)		
AAA	6.12	3.25	27	7	7	132	132	
AA	6.38	2.89	13	4	4	54	54	
A	7.99	3.30	62	45	45	200	200	
BBB	7.90	3.60	92	64	64	304	304	
High Yield	8.21	4.08	138	102	102	473	473	
BB	5.18	5.29	237	186	186	858	858	
B	4.26	6.57	353	290	290	1,147	1,147	
CCC	3.76	9.50	644	451	451	1,815	1,815	

◆ Current ● Two Years Average

Chart Source: Morgan Stanley Markets Library – Current Indicators

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.

Comparison of Valuation Multiples (as of April 8, 2022)

Asset Class	Prior Market Top Valuation 2/14/2020		Market Bottom Valuation 3/20/2020		Current Valuation 4/8/2022	
	Current	Average	Current	Average	Current	Average
Cash						
90-Day US Treasury Bills	1.58	1.65	1.58	1.63	0.53	1.2
Global Equities (P/E)						
US Large-Cap Growth	27.0	20.0	18.8	19.9	29.5	19.4
US Large-Cap Value	14.9	13.6	10.0	13.6	15.7	13.5
US Mid-Cap Growth	28.3	24.6	18.9	24.0	29.4	21.3
US Mid-Cap Value	15.3	14.4	8.8	14.4	14.5	14.5
US Small-Cap Growth	31.2	23.8	19.2	23.7	28.2	24.4
US Small-Cap Value	16.8	17.3	9.5	17.3	13.5	17.7
Europe Equity	15.1	13.6	11.1	13.6	13.4	13.2
Japan Equity	14.4	17.8	11.0	17.7	12.9	16.2
Asia Pacific ex Japan Equity	16.6	14.4	12.5	14.4	16.0	14.5
Emerging Markets	12.9	11.0	10.3	11.0	11.9	11.4
Global Fixed Income (Spread)						
Short-Term Fixed Income	11.0	31.0	92.0	31.0	16.0	20.0
US Fixed Income	41.0	53.5	127.0	52.5	42.0	49.5
International Fixed Income	37.0	49.0	78.0	49.0	44.0	47.5
High Yield	436.0	494.5	1119.0	494.5	428.0	468.0
Emerging Markets Fixed Income	294.0	322.5	637.0	322.5	303.0	312.0
Major Indices (P/E)						
S&P 500	18.9	15.5	13.3	15.5	19.2	15.5
Russell 2000	23.5	21.2	15.5	20.5	20.1	25.7
MSCI EAFE	15.0	14.3	11.2	14.2	13.6	13.7
MSCI AC World	16.8	14.9	12.2	14.8	16.4	14.6

Notes: Current – As of date indicated; Average – 20 year average s of date indicated; Source: The GIC Weekly Equity Market Relative valuation

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Macro Forecast – Equities

Region/ Country	Index Name	Scenario	Index Value	MS Target Multiple 12M Forward	EPS					EPS Growth				
					2019 Act	2020 Act	2021 Est	2022 Est	2023 Est	2019 Act	2020 Act	2021 Est	2022 Est	2023 Est
US	S&P 500	Base	4400	18.0	163	140	207	227	245	0.0	-14.0	47.0	10.0	8.0
Europe	MSCI Europe	Base	1830	14.0	100	73	120	123	128	-	-26.0	65.0	3.0	4.0
UK	FTSE 100	Base	7830	12.0	535	309	597	644	644	-	-40.0	87.0	8.0	0.0
Japan	Topix	Base	2250	15.0	91	89	124	140	150	-25.0	-1.6	38.7	12.6	7.5
EM	MSCI EM	Base	1315	12.5	67	61	91	98	105	-11.2	-9.1	48.5	7.7	7.3
Asia	MSCI APxJ	Base	670	14.2	33	30	41	44	47	-6.7	-10.3	39.7	7.3	6.6
Hong Kong	Hang Seng	Base	25000	11.1	2031	1696	1866	2044	2258	-12.8	-16.5	10.0	9.5	10.5
Hong Kong	HSCEI	Base	9000	9.1	1237	746	802	886	988	-2.8	-39.7	7.5	10.5	11.5
China	MSCI China	Base	95	12.5	6	5	6	7	8	15.3	-7.0	10.7	12.5	13.4
China	CSI300	Base	5300	14.0	301	246	283	325	377	7.4	-18.3	14.9	14.8	16.0

Source: Morgan Stanley Research. Data as of 20 March 2022

Indices are unmanaged. An investor cannot invest directly in an index. They are shown for illustration purposes only and do not show the performance of any specific investment. Reference to an index does not imply that the portfolio will achieve return, volatility or other results similar to the index. The composition of an index may not reflect the manner in which a portfolio is constructed in relation to expected or achieved returns, portfolio guidelines, restrictions, sectors, correlations, concentrations, volatility, or tracking error target, all of which are subject to change over time. For index, indicator and survey definitions referenced in this report please visit the following: <https://www.morganstanley.com/wealth-investmentsolutions/wmir-definitions>

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Macro Forecast – Economics

Region/Country	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	2022E	2023E
CPI									
Global	7.8	8.1	7.2	5.8	4.1	3.6	3.4	5.9	3.4
G10	6.7	6.2	5.1	3.5	2.4	2.2	2.1	5.3	2.3
US	7.6	6.5	5.1	3.3	2.2	2.0	2.0	6.2	2.4
Euro Area	7.3	7.4	6.3	4.5	3.4	2.9	2.8	5.3	2.3
Japan	2.2	2.1	2.2	1.6	1.2	0.9	0.9	1.9	1.1
UK	8.0	7.0	5.9	4.8	2.2	2.4	2.0	6.3	3.4
EM	8.7	9.5	8.8	7.6	5.3	4.6	4.3	6.4	4.2
GDP									
Global	4.1	3.1	2.8	3.7	4.0	3.8	3.4	4.3	3.8
G10	3.6	3.5	3.1	3.2	2.9	2.6	3.0	3.7	2.8
US	4.1	4.7	4.2	4.3	4.0	3.5	3.0	4.5	3.7
Euro Area	3.3	1.7	2.0	2.3	2.3	2.3	2.2	3.0	2.3
Japan	2.0	3.5	2.5	2.7	1.2	0.8	0.9	2.3	1.4
UK	3.3	2.4	1.1	0.5	0.7	0.9	1.3	3.5	1.1
EM	4.4	2.8	2.5	4.1	4.8	4.7	4.2	4.7	4.5
POLICY RATE									
Global	3.5	3.7	3.8	4.0	4.0	4.1	4.0		
G10	0.3	0.6	0.7	1.0	1.1	1.2	1.4		
US	1.375	1.875	2.375	2.625	2.875	3.125	3.125		
Euro Area	-0.5	-0.5	-0.4	0.0	0.0	0.0	0.0		
Japan	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1		
UK	1.25	1.25	1.25	1.50	1.50	1.50	1.50		
EM	6.1	6.2	6.3	6.2	6.3	6.2	6.1		

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Source: Morgan Stanley Research. Data as of 8 Apr 2022

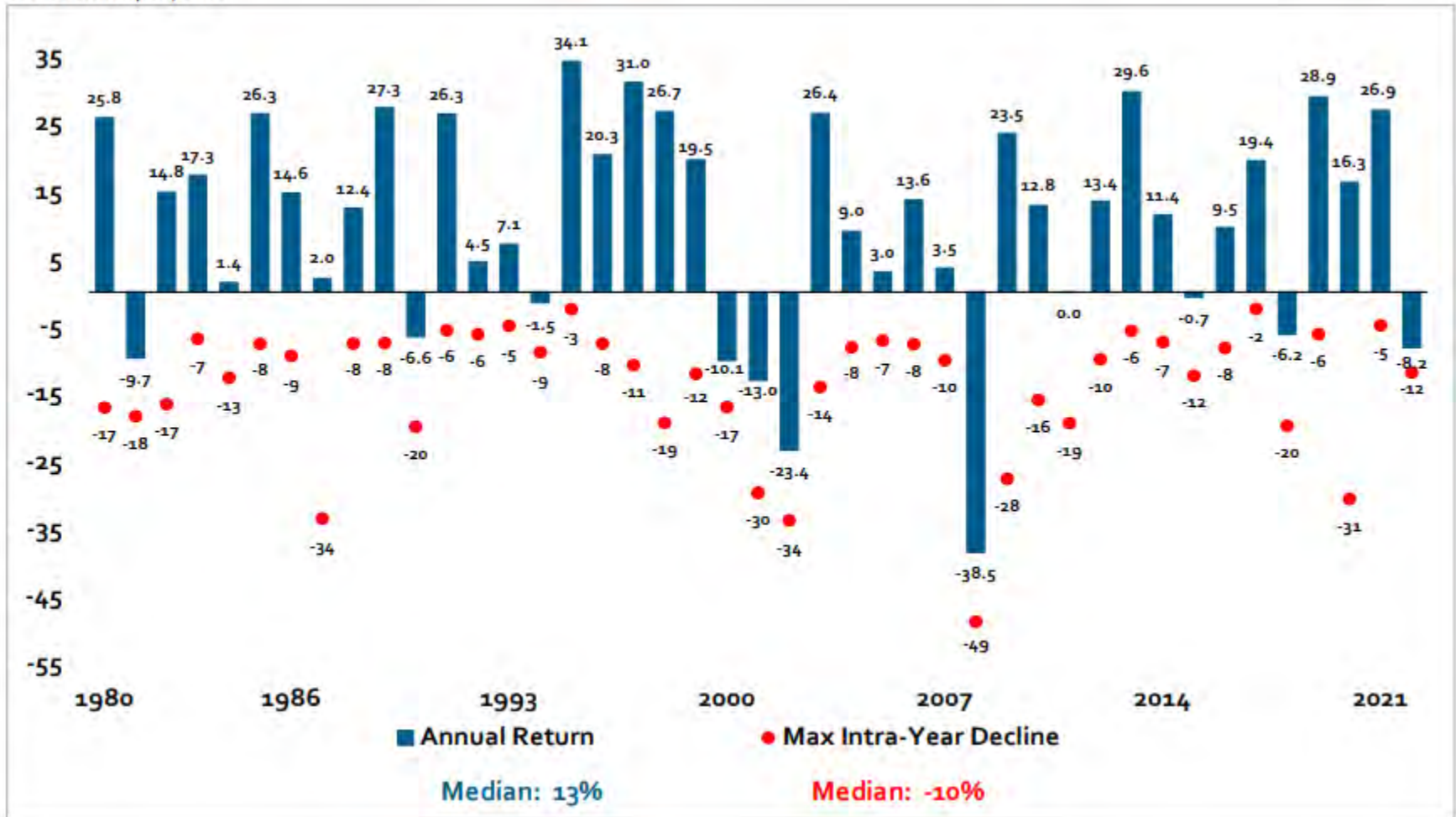
CPI numbers are period averages, global and regional aggregates are PPP-weighted.

GDP numbers are year on year period averages, global and regional aggregates include countries under MS coverage and are PPP-weighted

Policy Rate numbers are for the end of the period. Japan policy rate is the interest rate on excess reserves, Euro Area policy rate is deposit (floor) rate. China policy rate is 7-day repo rate

S&P 500 Returns and Intra-Year Declines

As of February 28, 2022



Source: Bloomberg, Morgan Stanley Wealth Management GIC. Intra-year declines are defined as the peak-to-trough decline during the year based on price return.

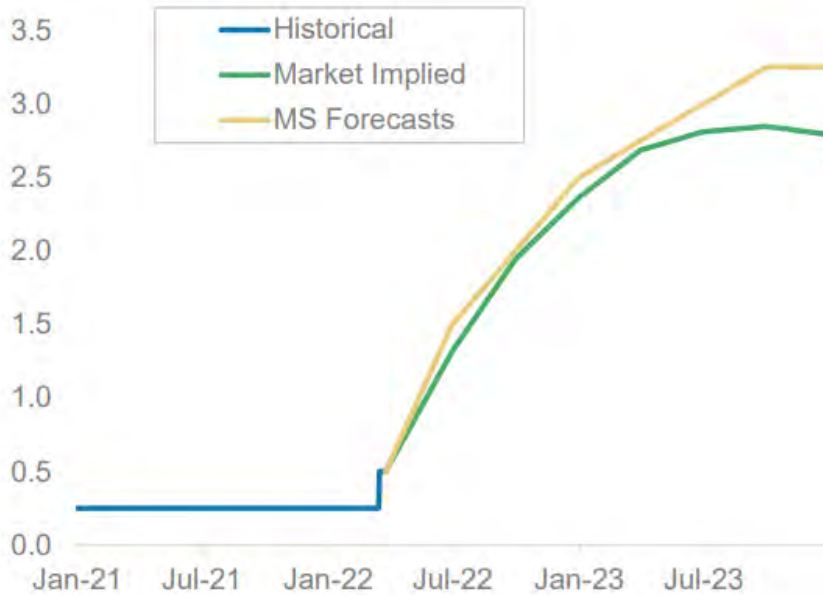
Chart Source: Morgan Stanley Markets Library - Market History

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Macro Outlook: Solid Growth + High Inflation = More Hikes. Optimistic Forecast Means More ECB Flexibility

Morgan Stanley Fed Funds Rate Forecast versus What's Priced in

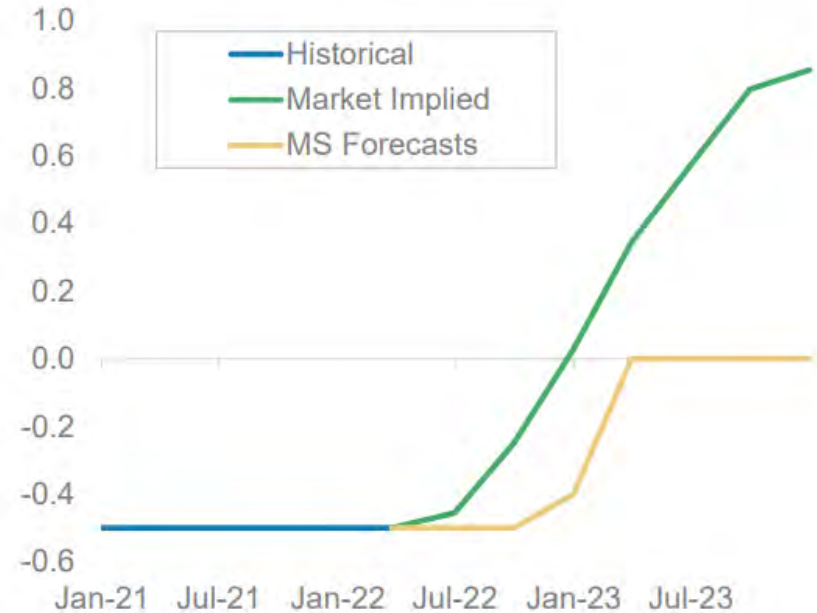
US Policy Rate (%)



Source: Bloomberg, Morgan Stanley Research forecasts

Morgan Stanley ECB Rate Forecast versus What's Priced in

ECB Policy Rates (%)



Source: Bloomberg, Morgan Stanley Research forecasts

Key Macro Views – Intermediate Term

Macro

- The higher inflation and weakened growth prospects sharpen the trade-off faced by many central banks
- So far, we do not think DM central bank tightening will be derailed, but clearly more caution is called for even though higher inflation will threaten inflation expectations
- For energy-importing EM, higher inflation erodes real disposable income and pushes for somewhat more policy tightening, doubling the economic hit
- The state of the oil market, market positioning and liquidity, and the impact of higher energy prices on Europe's economy and Asia/EM equities

Strategy

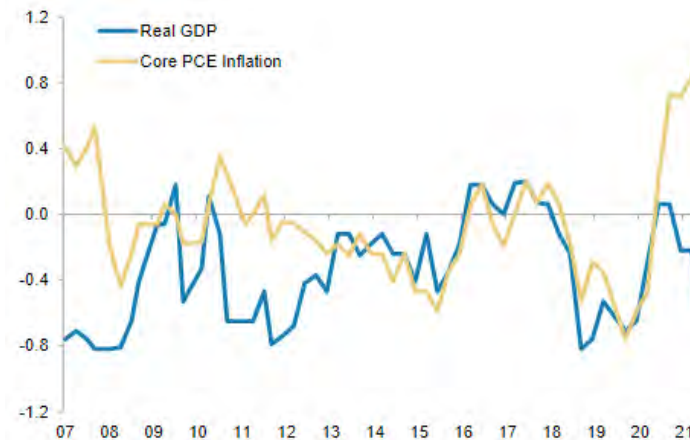
- Government actions have ramped up significantly, though some bigger measures are still on the table in the event of further escalation
- Spillover effects in the global geopolitical sphere encompass an acceleration of trends toward 'slowbalization'
- Domestically, Fed hiking appears to be on track, though inflation expectations may be lifted in the face of higher commodities prices, adding to the burden already imposed on many households
- A potential case of sanctions affecting actual payments of Russia's sovereign debt could result in a sovereign default

March 2022 Forecast Update

- We have refreshed our growth, inflation, and labor market forecasts to reflect incoming data and implications we have outlined from recent geopolitical developments. We see the Fed delivering an additional 125bp in rate hikes this year, with risk of a 50bp magnitude at the June meeting should inflation fail to turn downward as the Fed expects. Four 25bp hikes in 2023 brings fed funds to 2.625%. QT is announced at the May 3-4 meeting, to begin mid-May.
- We have lowered our forecast for real GDP growth in 2022 by 30bp to 4.3% on a 4Q/4Q basis, and our forecast for 2023 is 10bp lower at 3.0% 4Q/4Q. On an annual average basis, we see 2022 growth at 4.5%Y and 2023 at 3.7%Y.
- We raised our forecast for headline CPI inflation by 40bp in 2022 to 4.4% 4Q/4Q, largely reflecting higher energy and other commodity prices. In 2023, we see headline CPI inflation running at 2.1% 4Q/4Q. Our forecast for core CPI inflation remains unchanged in 2022 at 4.2% 4Q/4Q and 2.6% in 2023.

	2022	2023	2024	Longer Run
Real GDP (% 4Q/4Q)				
FOMC March SEP	2.8	2.2	2.0	1.8
FOMC December SEP	4.0	2.2	2.0	1.8
Difference	-1.2	0.0	0.0	0.0
Unemployment Rate (4Q Avg)				
FOMC March SEP	3.5	3.5	3.6	4.0
FOMC December SEP	3.5	3.5	3.5	4.0
Difference	0.0	0.0	0.1	0.0
Core PCE Inflation (% 4Q/4Q)				
FOMC March SEP	4.1	2.6	2.3	-
FOMC December SEP	2.7	2.3	2.1	-
Difference	1.4	0.3	0.2	-
Fed Funds Target				
FOMC March SEP	1.875	2.750	2.750	2.375
FOMC December SEP	0.875	1.625	2.125	2.500
Difference	1.000	1.125	0.625	-0.125

Source: Federal Reserve, Morgan Stanley Research



Source: Federal Reserve, Morgan Stanley Research

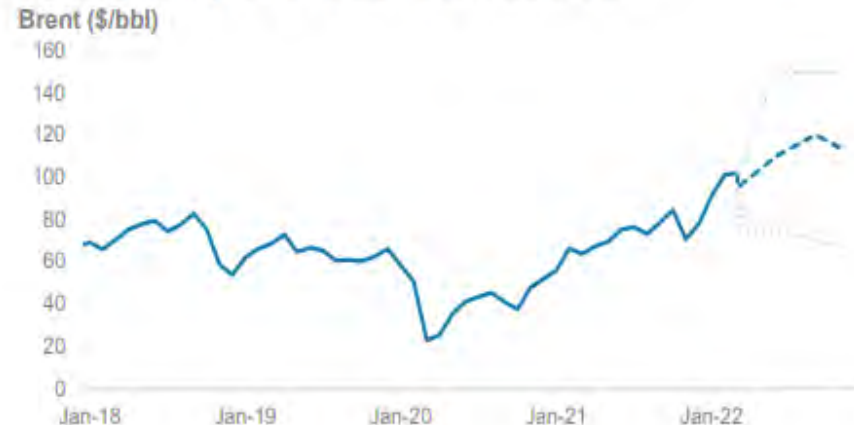
3Q Oil Price Forecasts at US \$120/bbl, Market Still Tight

Events in Ukraine have introduced a risk premium in oil prices that is likely to remain in the coming months

- Geopolitical risk related to the events in Ukraine has introduced a premium in oil prices that will likely remain in the coming months.
- To account for this, we raised our price targets, expecting Brent to reach US\$110 by 2Q22, US\$120 by 3Q22.
- However, while these forecasts incorporated some geopolitical risk premium, they did not factor in the impact of potential embargoes on the import of Russian oil, which was the key driver of the recent oil spike. In the event of meaningful disruptions to the flow of oil, large price spikes above US\$150/bbl are possible.
- [Here](#), we explore how asset classes perform after large oil shocks in undersupplied markets.

See [Crude Oil: Update \(7 Mar 2022\)](#) and [The Oil Manual: Tightening Balances \(16 Mar 2022\)](#) for more.

Morgan Stanley Oil Forecast – Bull/Base/Bear



Source: Bloomberg, Morgan Stanley Research forecasts

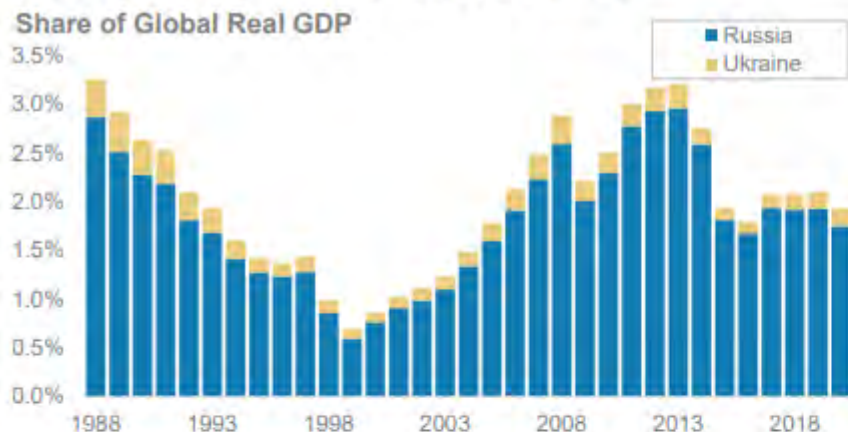
Average Brent and WTI Forecasts for 1Q and 2Q22

	1Q22	2Q22	3Q22	4Q22	2023
Brent					
New	95	110	120	110	100
Previous	95	110	100	100	95
Change	-	-	20	10	5
WTI					
New	92.5	107.5	117.5	107.5	97.5
Previous	92.5	107.5	97.5	97.5	92.5
Change	-	-	20	10	5

Source: Bloomberg, Morgan Stanley Research forecasts

Current Events/Geopolitics : Russia and Ukraine's Share in Global GDP and Commodities Production Varies

Russia and Ukraine as Global GDP Share



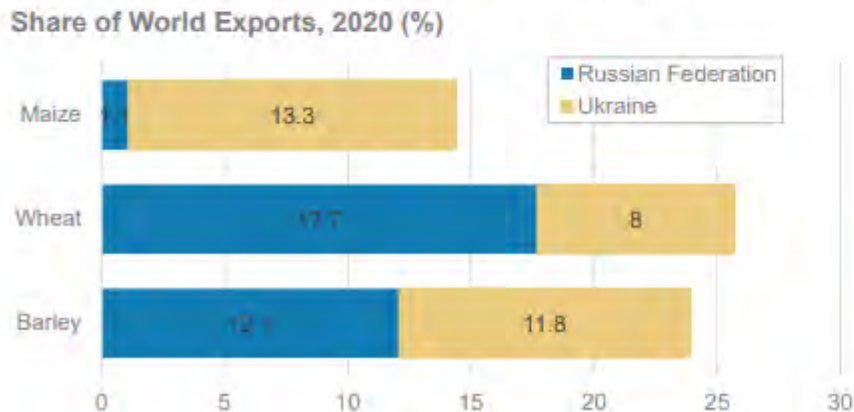
Source: Morgan Stanley Research, World Bank

Russia and Ukraine as Share of Oil Supply



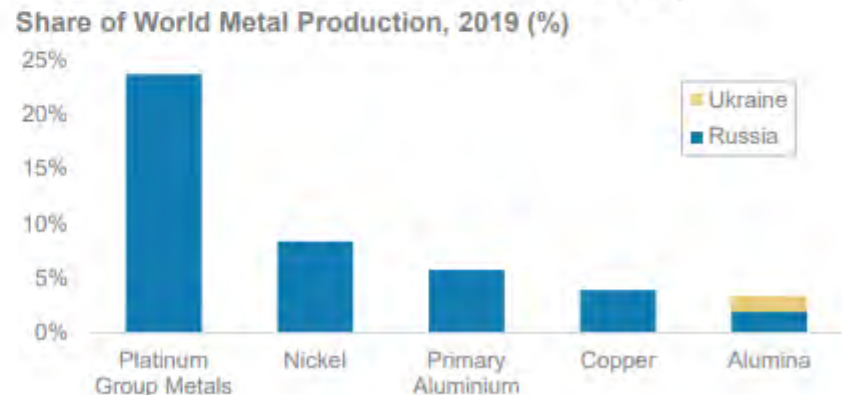
Source: Morgan Stanley Research, IEA

Russia and Ukraine as Share of Grain Supply



Source: Morgan Stanley Research, UN Comtrade

Russia and Ukraine as Share of Metal Supply



Source: Morgan Stanley Research, British Geological Society

Current Events/Geopolitics: Russia's Weight in Indices/Links to China Trade

Index weights (as of January 31, pre-invasion)

- **Russia equities:** 3.3% of MSCI EM, 0.4% of MSCI ACWI
- **Russian \$ sov:** 3.2% of EM Sov. Index
- **Russian local ccy:** 1.9% of EM Local Index

Russia's Share in MSCI Indices Is Small and Has Dropped Sharply

Russia as % of MSCI Indices



Source: Bloomberg, Morgan Stanley Research

Russia and China Trade/Linkages

- Russia accounts for a large share of global production and exports of oil, gas and other commodities.
- Manageable direct trade impact:
 - Russia only accounts for 2% of China's exports and 3% of China's imports.
 - 67% of China's imports from Russia are mineral fuels (coal, petroleum, and natural gas).
 - 43% of China's exports to Russia are machinery & electrical equipment (including chips and high-tech products). Within this, products containing US technology would be subject to US sanctions on Russia.
 - China's oil trade deficit: 1.4% of GDP, one of the lowest in non-commodity-exporting Asian economies.
- Indirect trade impact bears watching:
 - Risk of global demand slowdown: Consumer goods and capital goods account for 35% and 45% of China's total exports, respectively.
 - Potential logistics disruption: China-Europe railway accounts for 8% of China-Europe trade.

Macro Forecast Summary

	Q2 22	Q3 22	Q4 22	Q4 23
Inflation (CPI)	7.6	6.5	5.1	3.3
Economic Growth (GDP - US)	4.1	4.7	4.2	3.0
Policy Rate (Fed)	1.375	1.875	2.375	3.125
US Treasury – 2 Yr	2.60	2.80	3.00	n/a
US Treasury – 5 Yr	2.60	2.70	2.75	n/a
US Treasury – 10 Yr	2.45	2.50	2.60	n/a
US Treasury – 30 Yr	2.55	2.60	2.60	n/a
Oil Price (Brent/bbl)	110	120	110	100

For valuation methodology and risks associated with any recommendation, rating or price target referenced in this research report, please contact the Client Support Team as follows: US/Canada +1 800 303-2495; Hong Kong +852 2848-5999; Latin America +1 718 754-5444 (U.S.); London +44 (0)20-7425-8169; Singapore +65 6834-6860; Sydney +61 (0)2-9770-1505; Tokyo +81 (0)3-6836-9000. Alternatively you may contact your investment representative or Morgan Stanley Research at 1585 Broadway, (Attention: Research Management), New York, NY 10036 USA.

Macro Outlook: Summary and Risk

Strong Fundamentals and Technicals versus Rich Valuations

- Morgan Stanley research analysts remain above-consensus on global growth.
- Central bank purchases are growing but beginning to taper, fund inflows and money market balances remain high.
- Post-Pandemic, shocks to both aggregate demand and supply. Demand and supply are trending towards normalization.

A Hotter, Shorter Cycle (Three Ways)

- A hotter economic cycle, with a faster return of 2%+ inflation, below-average unemployment.
- A hotter business cycle, with a faster return to high leverage and high CEO confidence.
- A hotter markets cycle, with a faster return to peak valuations and investor optimism.

Normalization?

- MS research analysts expect core US inflation to moderate to 5.1% in Q4 2022.
- Fed began raising rates in Q1 2022.
- 10 year UST MS base case is 2.6% in Q4 2022
- As earnings growth decelerate, and rates rise, valuations should compress.
The average mid-cycle valuation compression is 20%.

Opportunities and Positioning

Areas of Opportunity

- Distressed investments in all asset classes. Opportunistically taking advantage of dislocations.
- Private credit with variable rate loans may offer an attractive risk return tradeoff
- Active, less-constrained strategies can take advantage of improved alpha opportunity set
- Private equity/private credit may add value via the illiquidity premium and longer time horizons
- Private real assets, including real estate and infrastructure, can offer an alternative source of income

Positioning/Recommendations

- Maintain well-diversified portfolios (by asset class, geography, investment style, and sector/industry)
- Rebalance portfolios regularly to align with strategic targets and take advantage of valuation dislocations
- Within bond portfolios, pair investments in core fixed income (for stability) with allocations to global/opportunistic fixed income (for diversification/alpha)
- To the extent permitted by each investor's Investment Policy Statement, utilize alternative strategies (hedge funds and private investments) to potentially improve the risk/return profile of the portfolio and take advantage of special opportunities and market distress.

SECTION 2

Fixed Income Markets Overview

Impact and strategy in a rising interest rate environment for the SVMH reserves

- Today we are in a rising interest rate environment due to higher inflation, robust economic growth and higher corporate earnings growth
- Inflation has picked up due to supply chain issues, low unemployment and higher costs of commodities and energy
- Yields have dropped dramatically since the pandemic due to unprecedented global liquidity fueled by worldwide fiscal and monetary stimulus
- Rates have been rising due to higher inflation and anticipated fed reserve reducing quantitative easing and increasing policy rate
- The Fed is moving to a more hawkish approach/raising rates due to a reduction in quantitative easing

MARKET PERSPECTIVES

HIGH GRADE AT A GLANCE – AS OF 4/08/22

MARKET YIELDS***:

Term	US Tsy	Govt Agy	(A) Corp	(A) Corp - US Tsy Spread	(AAA) MMD	(A) MMD	(AAA) - (A) MMD Spread^	(A) MMD TEY*	(A) Breakeven Tax Rate Corp / Muni**
6 MO	1.15	1.26	1.66	0.51	-	-	-	-	-
1 YR	1.76	1.78	1.98	0.22	1.69	1.92	0.23	3.24	3%
2 YR	2.52	2.52	2.66	0.14	1.91	2.17	0.26	3.67	18%
3 YR	2.73	2.65	2.99	0.26	2.01	2.29	0.28	3.87	23%
5 YR	2.75	2.77	3.28	0.52	2.12	2.43	0.31	4.10	26%
7 YR	2.78	2.82	3.47	0.70	2.21	2.62	0.41	4.43	25%
10 YR	2.71	2.94	3.69	0.98	2.34	2.77	0.43	4.68	25%
15 YR	2.72	3.20	3.99	1.27	2.48	2.96	0.48	5.00	26%
20 YR	2.92	3.41	4.06	1.14	2.56	3.08	0.52	5.20	24%
30 YR	2.73	-	3.90	1.17	2.69	3.21	0.52	5.42	18%

YIELD CURVE STEEPNESS***:

Benchmark	2/5	2/10	2/30	5/10	5/30	10/30	15/30
Treasury	24	19	21	(5)	(3)	2	1
(AAA) MMD	26	43	78	22	57	35	21

The section above illustrates the yield curve steepness of the U.S. Treasury market yields and that of the (AAA) MMD market yields, based on the rates listed in the Market Yields section. The yield curve is a line that plots the rates of bonds across different maturity dates. The yield curve steepness compares the difference in yields between the different yearly tenors shown.

ADDITIONAL MARKET DATA POINTS***:

Federal Funds Rate	0.50%
Discount Rate	0.50%
Prime Rate	3.50%
1-Month LIBOR	0.49%

INDEX INFORMATION****:

Barclays Indices	Mat Range	Mod. Dur	Avg. Mat	YTW	MTD Return	YTD Return
<u>Tax-Exempt (Federal)</u>						
Muni Short	1-5	2.41	2.86	2.21	(0.32)	(3.64)
Muni Inter/Short	1-10	3.43	4.99	2.35	(0.50)	(4.97)
Muni Long Term	22+	9.69	26.48	3.39	(1.31)	(9.85)
<u>Taxable</u>						
1-5 Year Credit	1-5	2.81	3.02	3.28	(0.64)	(4.27)
U.S. Interm Credit	1-10	4.33	4.91	3.54	(1.33)	(6.33)
U.S. Long Credit	10+	13.95	23.58	4.35	(4.25)	(15.00)

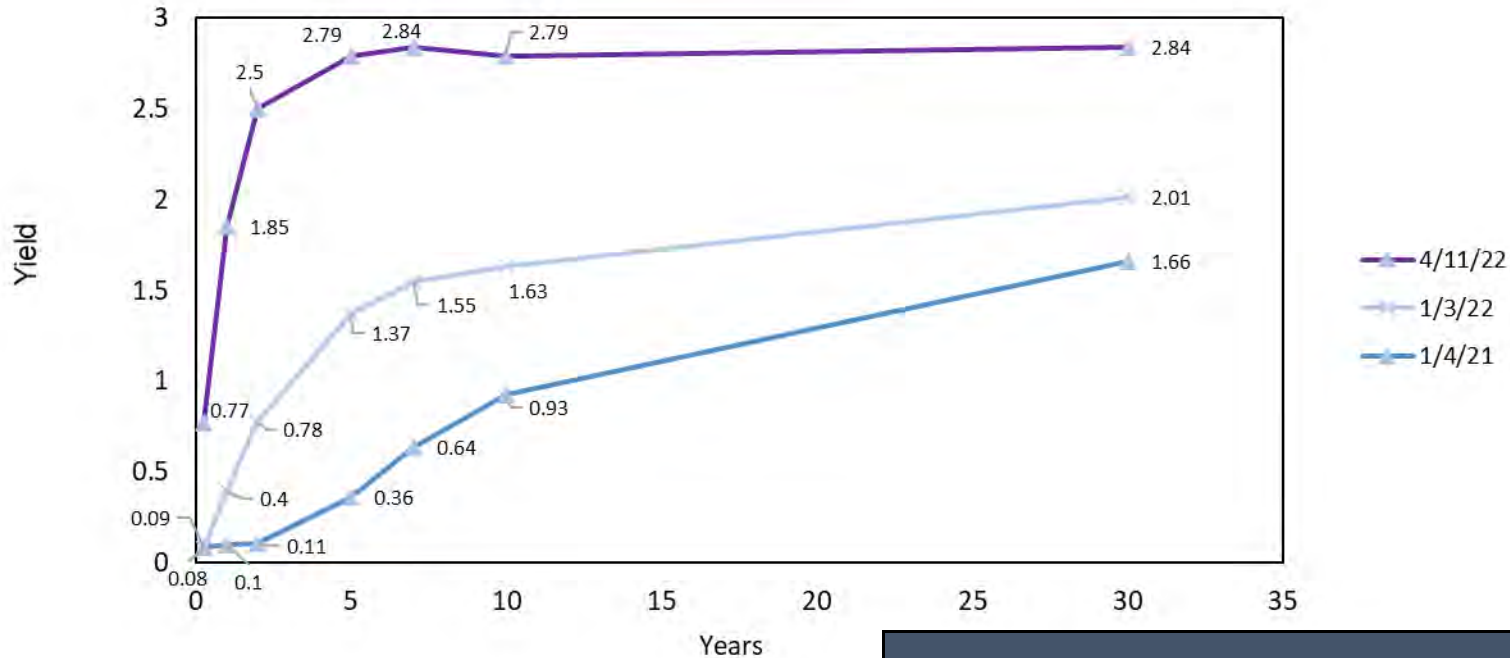
ECONOMIC DATA POINTS***:

GDP (YoY)	5.5%	12/2021
GDP (QoQ)	6.9%	12/2021
Unemployment (USURTOT)	3.6%	03/2022
Employment (USERTOT)	60.1%	03/2022
Core CPI (YoY)	6.4%	02/2022
Core PCE (YoY)	5.4%	02/2022

The economic data points section above reflects the current % level of the economic indicators listed, as of the month/year listed.

*TEY: Taxable equivalent yield calculated based on a combined 40.8% federal tax, assuming a 37.0% federal marginal tax rate and a 3.8% Affordable Care Act tax.
 **TEY: [(A) MMD / (1 - Combined Tax Rates)]
 ***Breakeven Tax Rate: [1 / (A Corp / A MMD) - 1].
 ^MMD spread calculation: (A) MMD yield - (AAA) MMD yield.
 SOURCE: ***BLOOMBERG, L.P., ****BARCLAYS, MMD: Municipal Market Data

U.S. Treasury Yield Curve



US Treasury Yield			
Description	4/11/22	1/3/22	1/4/21
3 Month	0.77	0.08	0.09
1 Year	1.85	0.4	0.1
2 Year	2.5	0.78	0.11
5 Year	2.79	1.37	0.36
7 Year	2.84	1.55	0.64
10 Year	2.79	1.63	0.93
30 Year	2.84	2.01	1.66
Fed Funds Target	0.375	0.25	0.25

We forecast inversion across the curve

We see 2y yields at 2.75% and 10y yields at 2.40% by the end of 2022, and a -25bp 2s10s curve

Morgan Stanley UST forecasts for 2022

Base case

	2Y	5Y	10Y	30Y
Current	1.95	2.16	2.16	2.48
1Q22	2.05	2.20	2.20	2.45
2Q22	2.30	2.35	2.25	2.45
3Q22	2.50	2.40	2.30	2.45
4Q22	2.75	2.50	2.40	2.40

Source: Morgan Stanley Research forecasts

SECTION 2

Consultant's Report

SVMHS – Executive Summary IPS: Intermediate Term Reserve Portfolio

Purpose:

The Intermediate Term Reserve Portfolio is designed for assets with a 3-5 year specific time-horizon. The objective is to generate total returns (income + growth) while maintaining preservation of capital and liquidity.

The portfolio will have a customized approach to optimize return given the liquidity needs of the Salinas Valley Memorial Health System which may be dynamic. The portfolio must operate within the constraints of the California Local Agency Investment Guidelines (See Addendum “B” of the IPS for specific guidelines)

Investment Horizon:

3 to 5 Years

The Investment Horizon is the time horizon to meet the goals and objectives of the fund. It is not the average maturity of the portfolio

Investment Objectives:

Primary Objective:

Preservation Capital – To minimize the probability of loss of principal over the investment horizon. Emphasis is placed on minimizing volatility rather than maximizing return.

Secondary Objective:

Liquidity – To ensure the ability to meet all expected or unexpected cash flow needs by investing in securities which can be sold readily and efficiently.

SVMHS – Executive Summary IPS: Intermediate Term Reserve Portfolio

Return Targets:

- T-Bills plus 1%.
- Long-Term “Strategic” Benchmark: Meet or exceed a benchmark comprised of a blend of indices mirroring the long-term strategic targets.

Risk:

- Definition: Loss of capital over the investment horizon.
- Risk benchmark: Barclays 1-3 Year Government Bond Index
- Total portfolio risk: Volatility relative to the risk benchmark.

Strategic Asset Allocation:

ASSET CLASS	TARGET	MINIMUM	MAXIMUM	CONSTRAINTS
Short Term Fixed Income	100%	0%	100%	California Local Agency Investment Guidelines
Cash & Equivalents	0%	0%	100%	California Local Agency Investment Guidelines

SVMHS – Executive Summary IPS: Cash Reserve Portfolio

Purpose:

The Cash Reserve Portfolio is designed to maintain an investment reserve and liquidity.

The portfolio will consist of liquid assets readily available to fund any cash needs. The portfolio must operate within the constraints of the California Local Agency Investment Guidelines – See Addendum “B” of the IPS for specific guidelines

Investment Horizon:

60 to 90 days

The Investment Horizon is the time horizon to meet the goals and objectives of the fund. It is not the average maturity of the portfolio

Investment Objectives:

Primary Objective:

Liquidity – To ensure the ability to meet all expected or unexpected cash flow needs by investing in securities which can be sold readily and efficiently.

Secondary Objective:

Preservation Capital – To minimize the probability of loss of principal over the investment horizon. Emphasis is placed on minimizing volatility rather than maximizing return.

SVMHS – Executive Summary IPS: Cash Reserve Portfolio

Return Targets:

- To beat the rate of inflation as measured by the CPI
- Strategic Benchmark: Meet or exceed a benchmark comprised of a blend of indices mirroring the strategic targets

Risk:

- Definition: Loss of capital over the investment horizon.
- Risk benchmark: 100% 90-day T-bill Index
- Total portfolio risk: Volatility relative to the risk benchmark.

Strategic Asset Allocation:

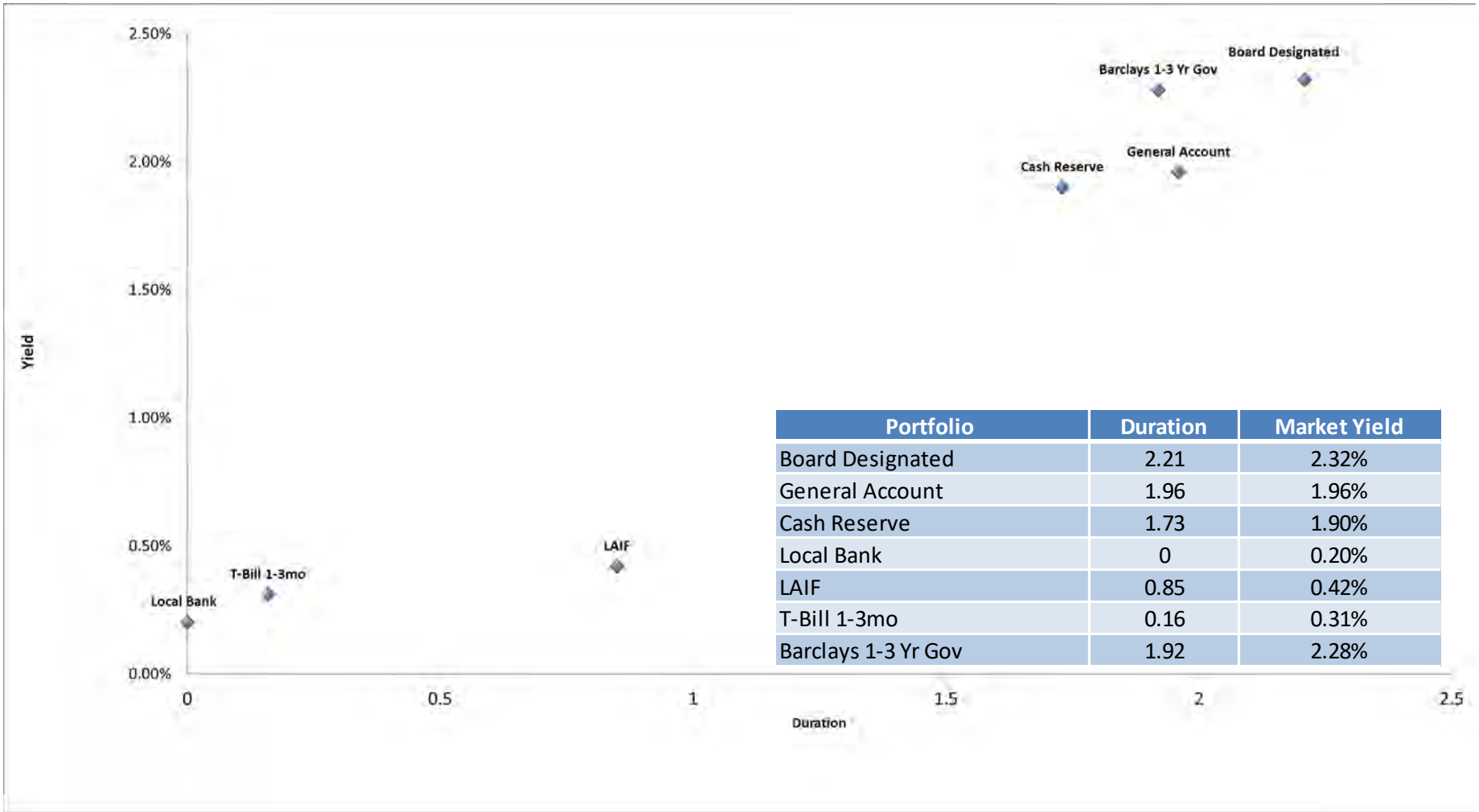
ASSET CLASS	TARGET	MINIMUM	MAXIMUM	CONSTRAINTS
Cash & Equivalents	100%	0%	100%	California Local Agency Investment Guidelines

SVMHS Update

Monthly Updates

- To review cash flow needs, investment balances and compliance with SVMHS investment policy
- Graystone and CFO's office review total investment assets on a monthly basis to ensure optimization and compliance with state guidelines
- We review bank balances, LAIF funds, Board Designated, General Account and Cash Reserve Portfolio
- Continued monthly calls with the staff to review the cash flow needs for compliance

Yield vs. Duration as of 03/31/2022



Summary Statistics - Portfolio Review

As of 03/31/2022

	Board Designated	General Account	Cash Reserve	Consolidated
Market Value	\$146,903,883	\$82,801,589	\$61,638,146	\$291,343,619
Weighted Average Effective Maturity	06/30/2024	12/13/2023	01/03/2024	03/28/2024
Weighted Average Modified Duration (yrs.)	2.21	1.96	1.73	2.04
Weighted Average Yield at Cost	1.23%	1.10%	0.54%	1.05%
Weighted Average Yield at Market	2.32%	1.96%	1.90%	2.13%
Economic Income (12 months)	\$1,856,973	\$932,366	\$339,684	\$3,129,023
Weighted Average Coupon	2.43%	2.00%	1.61%	2.14%
Weighted Average Credit Quality	Aa3/AA-	Aa3/AA-	Aa1/AA+	Aa3/AA-

Please see important disclosures at the end of the material

Board Designated and General Account Overview

Board Designated Contributions 2022:	
01/26/2022	\$1,000,000
2/24/2022	\$1,000,000
3/23/2022	\$1,000,000

Account	03/31/2022 Account Value
Board Designated	\$146,903,883
General Account	\$82,801,589
Sub-Total	\$229,705,472
Cash Reserve	\$61,638,146
Total	\$291,343,619

Please see important disclosures at the end of the material

SVMHS Total Portfolio

Allocation % as of 03/31/2022

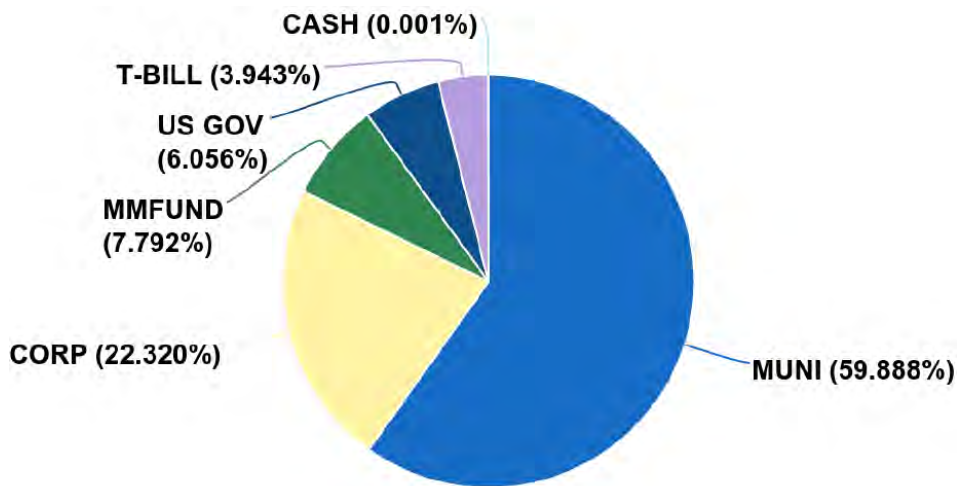
Asset	Board Designated	Market Yield	General Account	Market Yield	Cash Reserve	Market Yield	Consolidated	Market Yield
Corporate	28.43%	2.47%	24.68%	2.55%	4.60%	2.10%	22.32%	2.48%
Municipals	61.94%	2.46%	51.23%	2.30%	66.62%	2.26%	59.89%	2.38%
Money Market Funds	4.57%	0.26%	17.51%	0.26%	2.41%	0.26%	7.79%	0.26%
T-Bill					18.64%	0.46%	3.94%	0.46%
US Govt	5.06%	1.42%	6.58%	1.42%	7.73%	2.44%	6.06%	1.70%
Cash								
Total	100%	2.32%	100%	1.96%	100%	1.90%	100%	2.13%

IPS allows for a maximum of 30% in Corporate

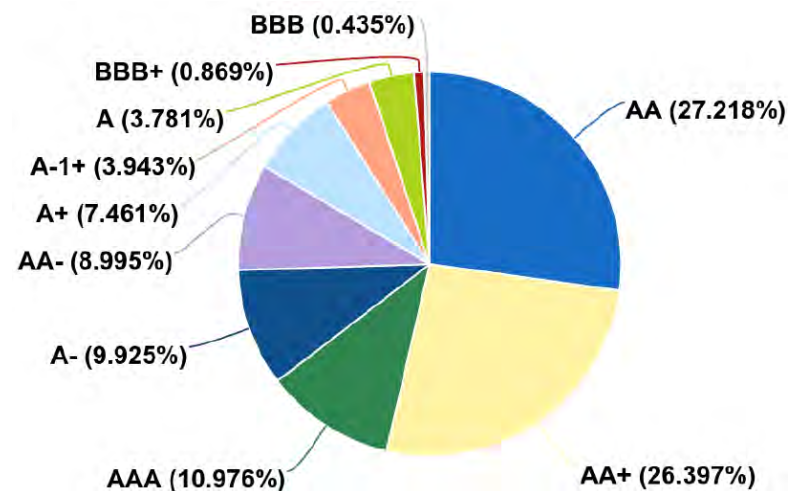
Please see important disclosures at the end of the material

Aggregate Portfolio - Asset Allocation & Credit Quality

Asset Allocation



Credit Quality

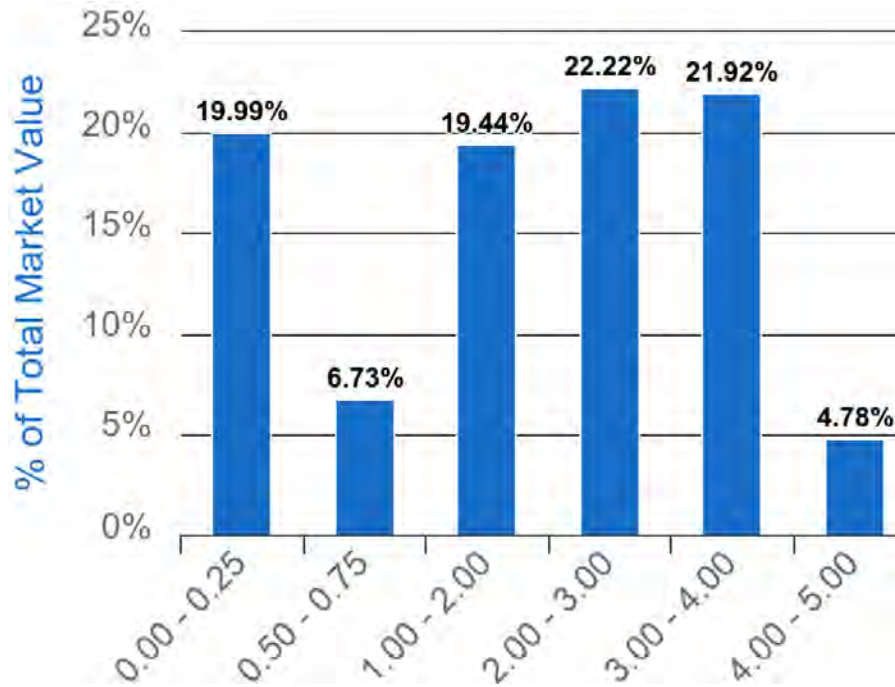


Charts are calculated by % of Total Market Value

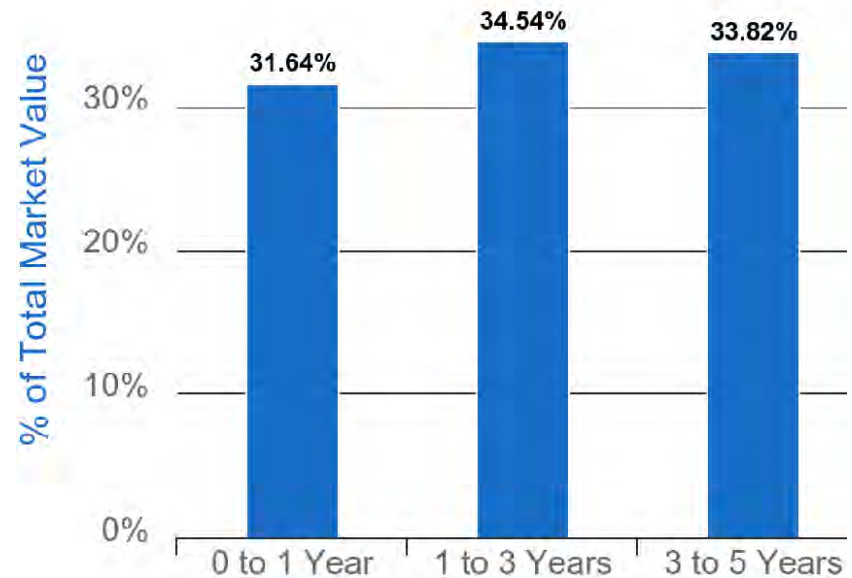
As of 03/31/2022

Aggregate Portfolio - Duration & Maturity Characteristics

Duration

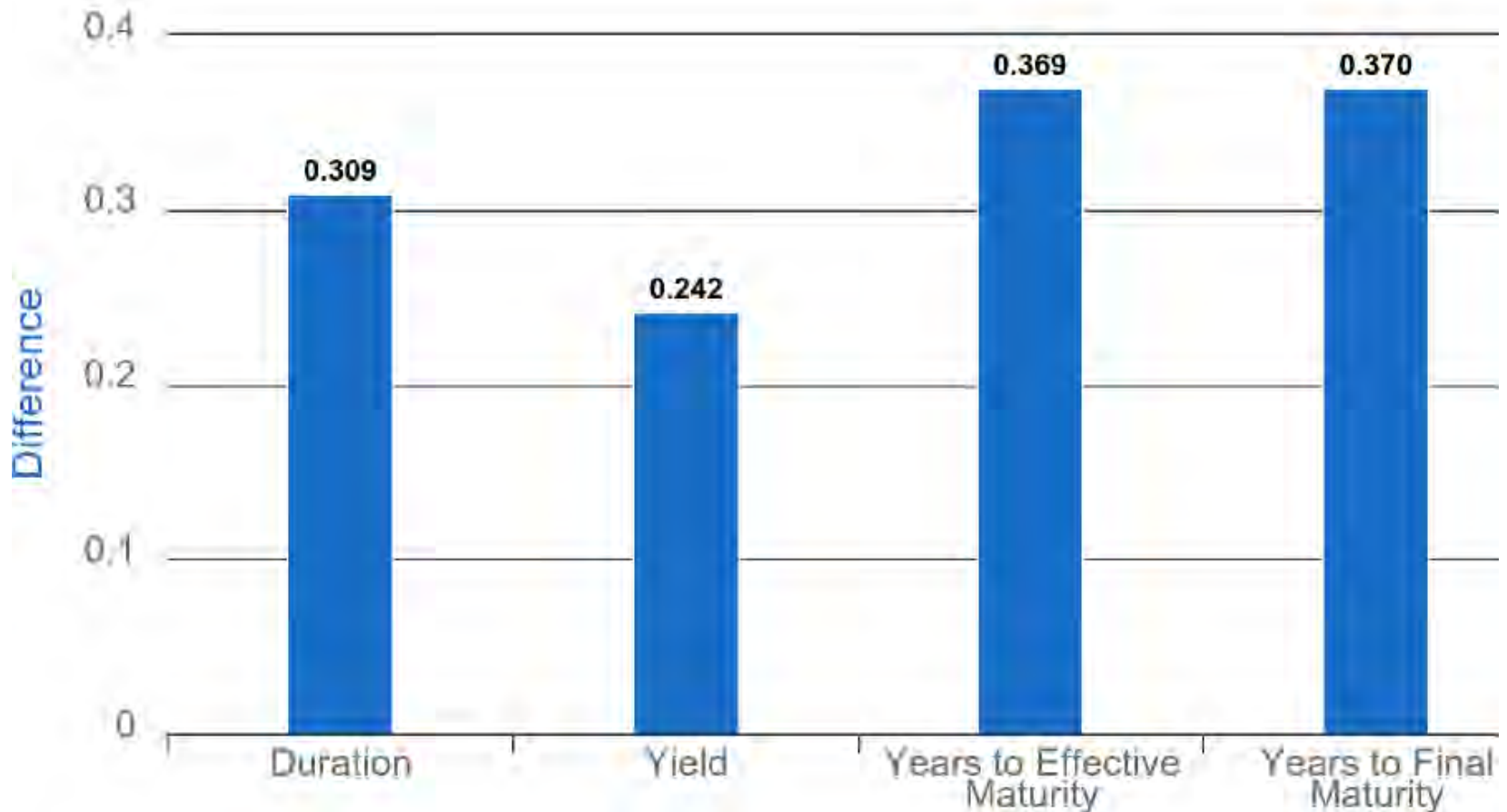


Maturity



As of 03/31/2022

Aggregate Portfolio Index Comparison - Summary

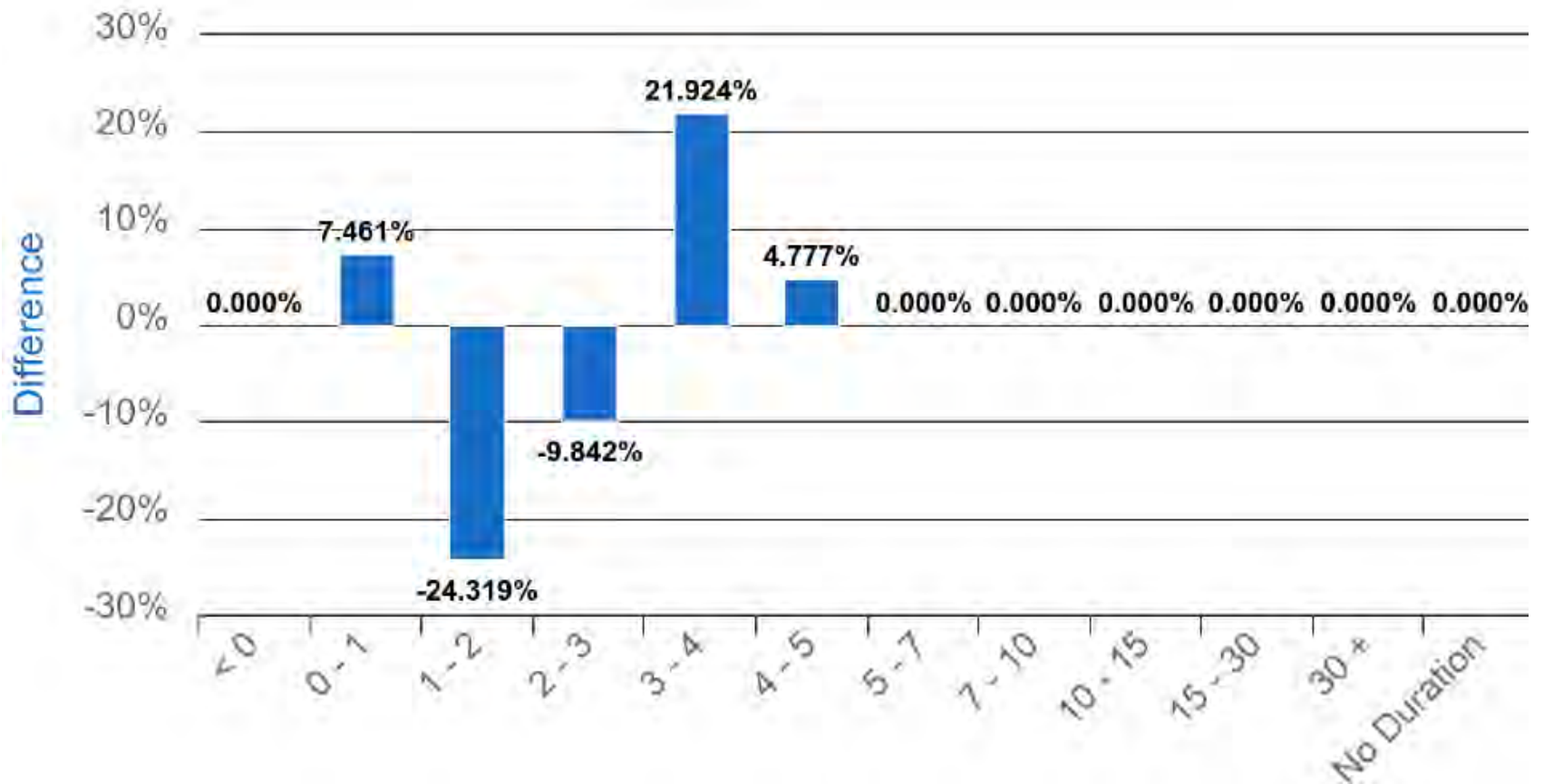


Blended Index (**78.8%** Barclays 1-3 Yr Gov / **21.2%** 1-3 Mo T-Bills)

- Board Designated: Barclays 1-3 Yr Gov (50.4%)
- General Account: Barclays 1-3 Yr Gov (28.4%)
- Cash Reserve: Barclays 1-3 Mo U.S. T-Bills (21.2%)

As of 03/31/2022

Aggregate Portfolio Index Comparison - Duration

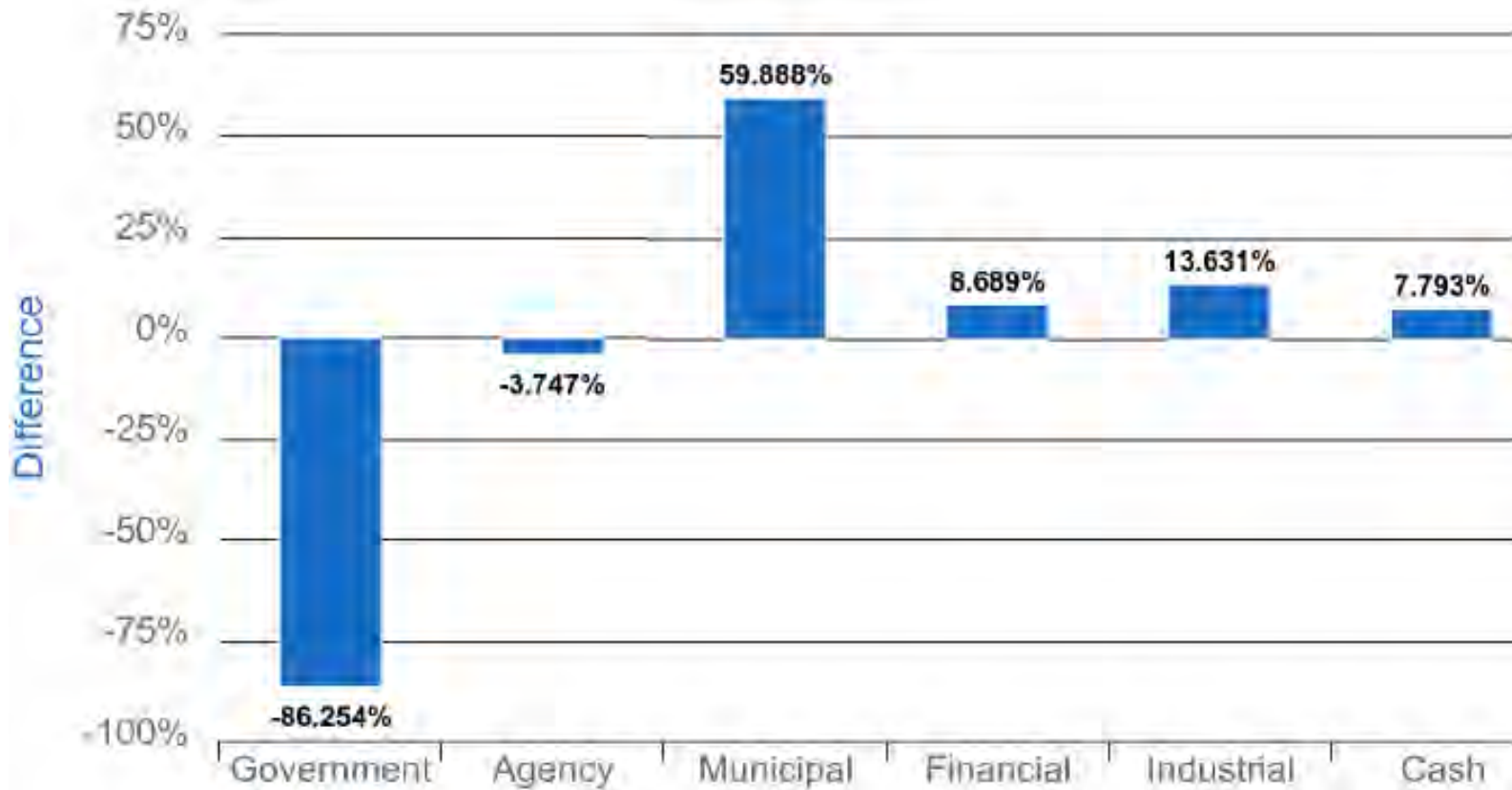


Blended Index (78.8% Barclays 1-3 Yr Gov / 21.2% 1-3 Mo T-Bills)

- Board Designated: Barclays 1-3 Yr Gov (50.4%)
- General Account: Barclays 1-3 Yr Gov (28.4%)
- Cash Reserve: Barclays 1-3 Mo U.S. T-Bills (21.2%)

As of 03/31/2022

Aggregate Portfolio Index Comparison – Market Sector

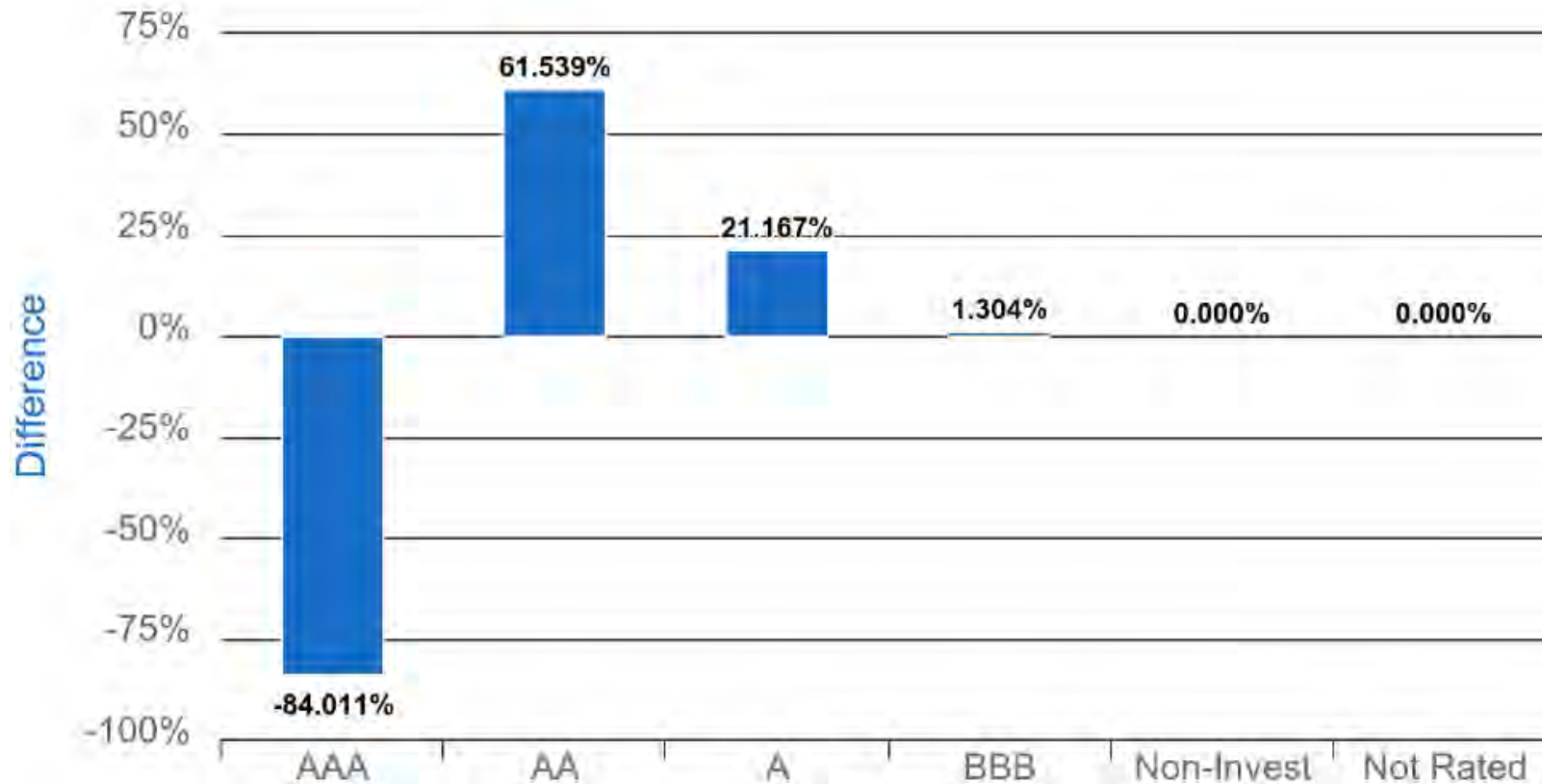


Blended Index (**78.8%** Barclays 1-3 Yr Gov / **21.2%** 1-3 Mo T-Bills)

- Board Designated: Barclays 1-3 Yr Gov (50.4%)
- General Account: Barclays 1-3 Yr Gov (28.4%)
- Cash Reserve: Barclays 1-3 Mo U.S. T-Bills (21.2%)

As of 03/31/2022

Aggregate Portfolio Index Comparison – Credit Rating



Blended Index (78.8% Barclays 1-3 Yr Gov / 21.2% 1-3 Mo T-Bills)

- Board Designated: Barclays 1-3 Yr Gov (50.4%)
- General Account: Barclays 1-3 Yr Gov (28.4%)
- Cash Reserve: Barclays 1-3 Mo U.S. T-Bills (21.2%)

As of 03/31/2022

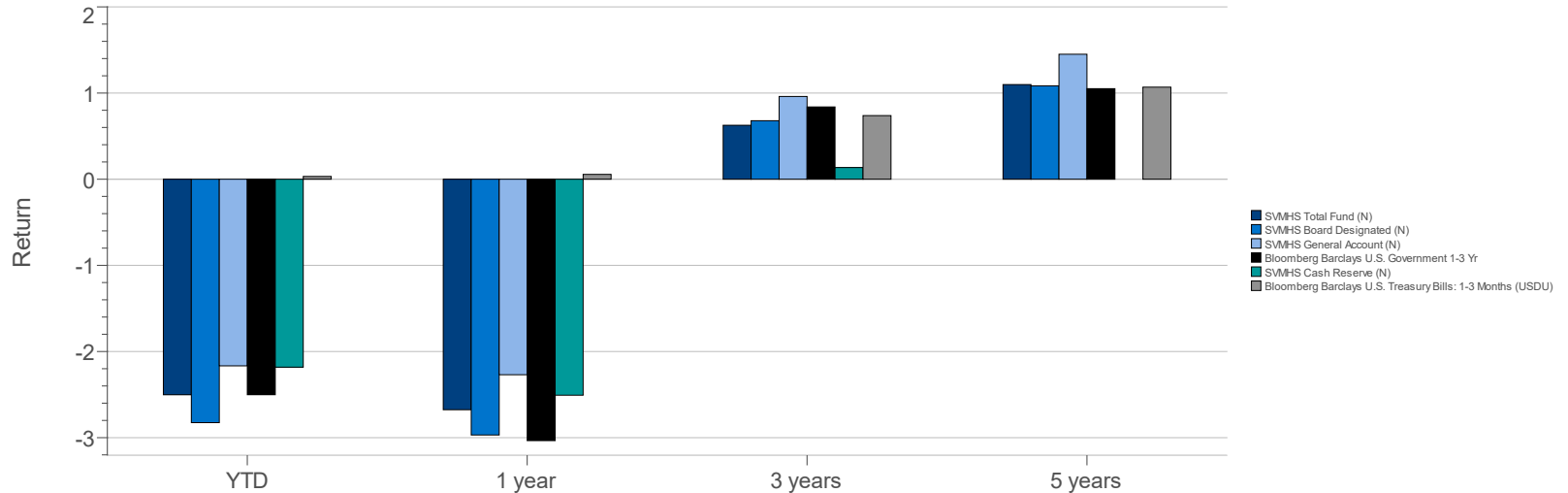
Performance – As of 03/31/2022

Zephyr StyleADVISOR

Zephyr StyleADVISOR: Morgan Stanley - Newport Beach, CA

Manager vs Benchmark: Return

April 2017 - March 2022 (not annualized if less than 1 year)

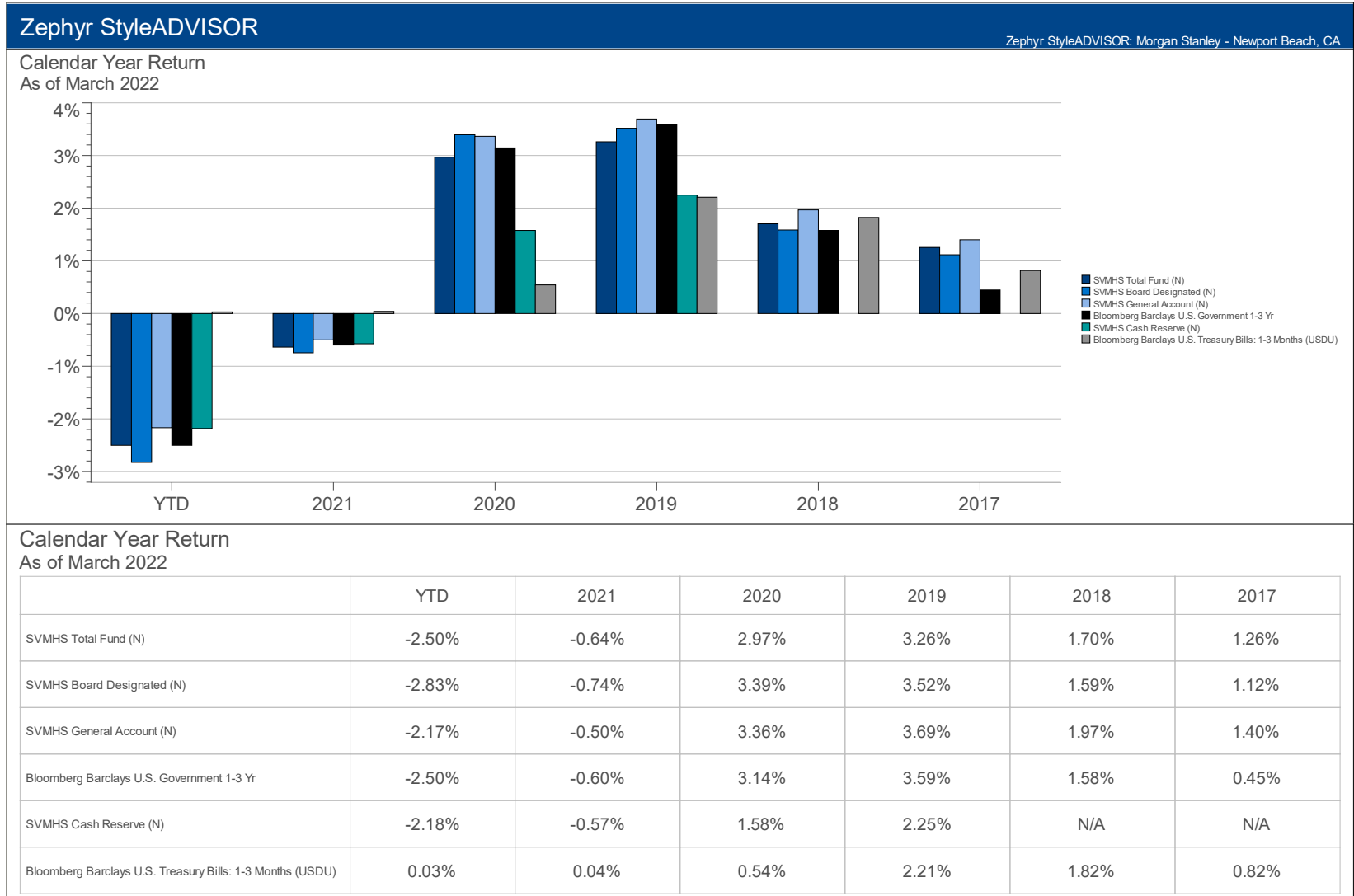


Manager vs Benchmark: Return

April 2017 - March 2022 (not annualized if less than 1 year)

	YTD	1 year	3 years	5 years
SVMHS Total Fund (N)	-2.50%	-2.68%	0.63%	1.10%
SVMHS Board Designated (N)	-2.83%	-2.97%	0.68%	1.08%
SVMHS General Account (N)	-2.17%	-2.27%	0.96%	1.45%
Bloomberg Barclays U.S. Government 1-3 Yr	-2.50%	-3.03%	0.84%	1.05%
SVMHS Cash Reserve (N)	-2.18%	-2.51%	0.14%	N/A
Bloomberg Barclays U.S. Treasury Bills: 1-3 Months (USDU)	0.03%	0.06%	0.74%	1.07%

Performance – As of 03/31/2022



Portfolio Attribution

SVMH Board Designated and General Account

- Board Designated: YTD performance trailed benchmark by 33 bps
- General Account: YTD outperformed benchmark by 33 bps
 - Positive contributors: allocation to credit and munis
 - Negative contributors: slightly higher duration than index
 - Board Designated duration: 2.21 yrs
 - General Account duration: 1.96 yrs
 - Index (Barclays US Gov 1-3 Years): 1.92 yrs
- Board Designated: 1 Year beat benchmark by 6 bps
- General Account: 1 Year beat benchmark by 76 bps
 - Positive contributors: allocation to credit and munis
- Board Designated: 5 Year outperformed benchmark by 3 bps
- General Account: 5 Year outperformed benchmark by 40 bps
 - Positive contributors: allocation to credit and munis & slightly higher duration than index

Portfolio Positioning

- **Neutral duration** to the benchmark +/- 6 month
- **Overweight corporates** (max 30% of total)
- **Overweight munis**
- Board Designated: Current yield approximately 232 bps vs. benchmark at 228 bps
- General Account: Current yield approximately 196 bps vs. benchmark at 228 bps

Portfolio Attribution

SVMH Cash Reserve

- YTD performance trailed benchmark by 221 bps
 - Positive contributors: allocation to short term munis
 - Duration: 1.73 yrs
 - Index (Barclays 1-3 Month T-bill): 0.16 yrs
- 1 Year performance trailed benchmark by 257 bps
 - Positive contributors: allocation to short term munis

Portfolio Positioning

- **Overweight duration** to the benchmark
- **Overweight munis**
- Current yield approximately 190 bps vs. benchmark at 31 bps

SECTION 4

Appendix

Board Designated Executive Summary

Account Summary (1)

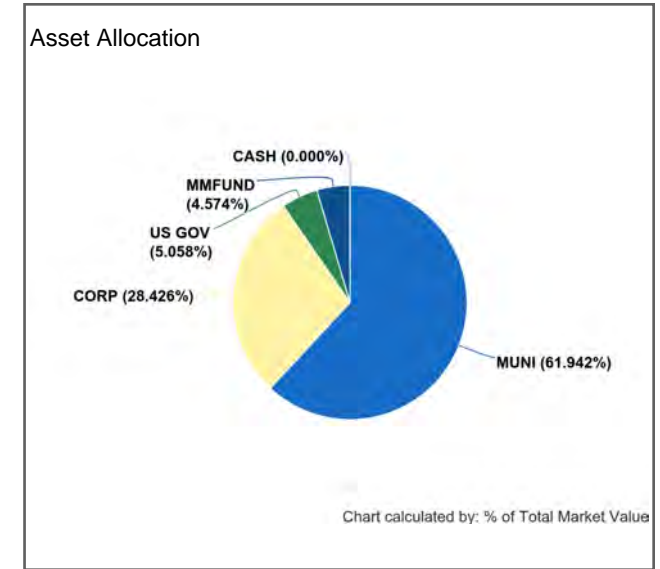
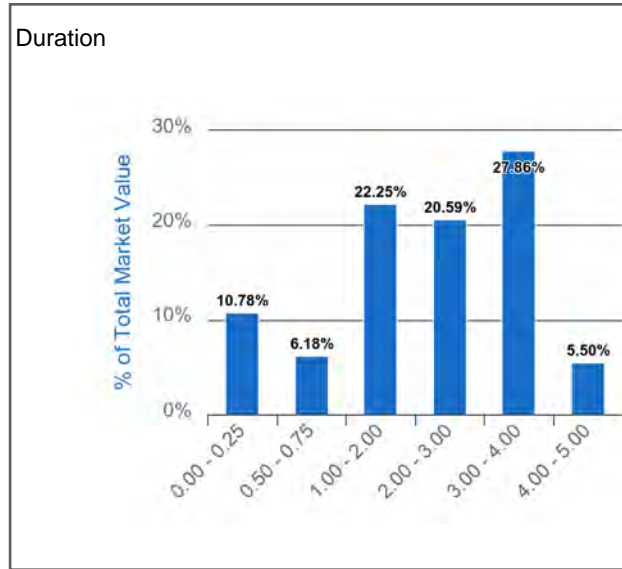
03/01/2022 - 03/31/2022

SVMHS Board Designated (62286)

Dated: 04/01/2022

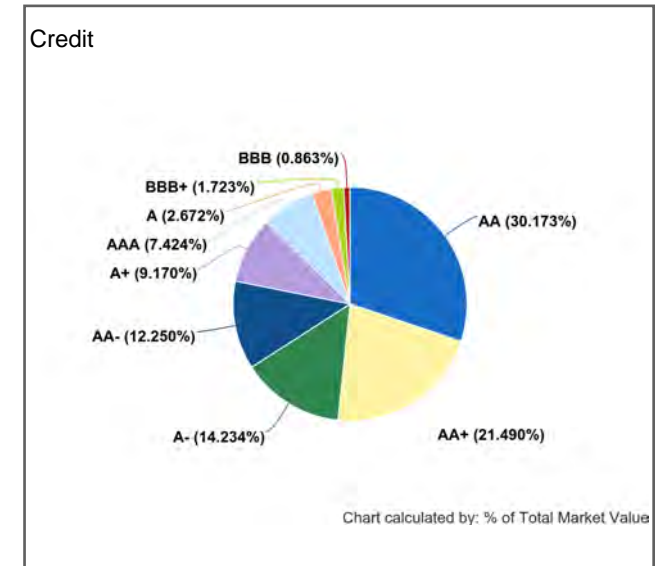
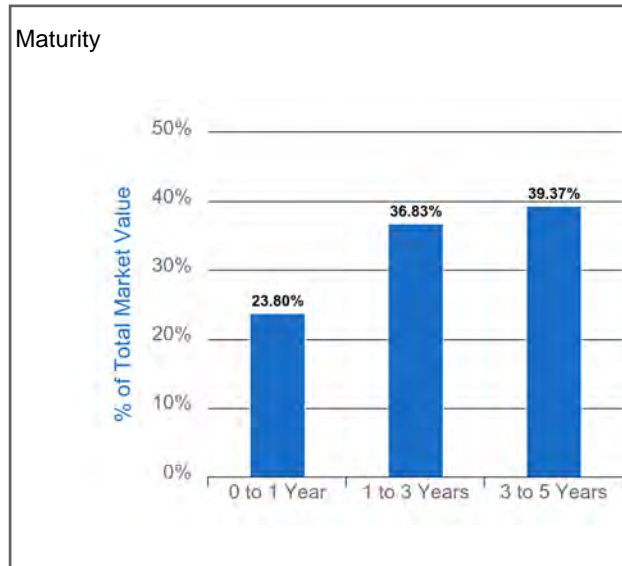
[Return to Table of Contents](#)

Portfolio Valuation Summary	
	<i>Portfolio</i>
Total Market Value	146,903,883
Market Value	146,002,216
Accrued Interest	901,667
Yield at Cost	1.23
Market Yield	2.32
Modified Duration	2.21
Coupon	2.43
Unrealized G/L	-5,250,817
Economic Income (12 mo)	1,856,973
Moody's Rating	Aa3
S&P Rating	AA-
Years to Final Maturity	2.24
Years to Effective Maturity	2.25
Eff Maturity	06/30/2024
Footnotes: 1,2,3	



Performance

Period	Total Return	Income Return	Price Return	Period Begin	Period End
Year to Date	-2.826%	0.322%	-3.148%	01/01/2022	03/31/2022
Trailing Month	-1.547%	0.109%	-1.656%	03/01/2022	03/31/2022
Trailing Quarter	-2.826%	0.322%	-3.148%	01/01/2022	03/31/2022
Trailing Year	-2.971%	1.298%	-4.269%	04/01/2021	03/31/2022
Prior Month	-0.492%	0.112%	-0.604%	02/01/2022	02/28/2022
Prior Quarter	-0.707%	0.298%	-1.005%	10/01/2021	12/31/2021
Prior Year	-0.747%	1.344%	-2.091%	01/01/2021	12/31/2021
Since Inception	5.065%	---	---	08/10/2016	03/31/2022



Account Summary (3)

SVMHS Board Designated (62286)

Base Currency: USD As of 03/31/2022

[Return to Table of Contents](#)

Dated: 04/01/2022

Security Type	Total Market Value	Market Value	Accrued Interest	% of Portfolio	Yield at Cost	Market Yield	Modified Duration	Coupon	Unrealized G/L	Economic Income (12 mo)	Moody's Rating	S&P Rating	Years to Final Maturity	Eff Maturity
CASH	710	710	0	0.00%	0.00	0.00	---	0.00	0	0	Aaa	AAA	0.00	03/31/2022
CORP	41,758,343	41,453,898	304,445	28.43%	1.49	2.47	2.22	2.81	-1,673,543	641,058	A2	A	2.40	08/06/2024
MMFUND	6,719,431	6,719,431	0	4.57%	0.26	0.26	---	0.25	0	17,471	Aaa	AAAm	0.00	03/31/2022
MUNI	90,995,418	90,400,552	594,866	61.94%	1.25	2.46	2.33	2.60	-3,518,391	1,171,052	Aa2	AA	2.44	09/23/2024
US GOV	7,429,982	7,427,625	2,357	5.06%	0.37	1.42	0.75	0.13	-58,883	27,392	Aaa	AA+	0.75	12/31/2022
---	146,903,883	146,002,216	901,667	100.00%	1.23	2.32	2.21	2.43	-5,250,817	1,856,973	Aa3	AA-	2.24	06/30/2024

* Grouped by: Security Type. * Groups Sorted by: Security Type. * Weighted by: Base Book Value + Accrued. * Holdings Displayed by: Position.

* Yield at Cost = [Book Yield], Summary Calculation: Weighted Average. * Coupon = [Coupon]*1, Summary Calculation: Weighted Average. * Economic Income (12 mo) = [Amort Cost]*([Book Yield])/100, Summary Calculation: Sum.

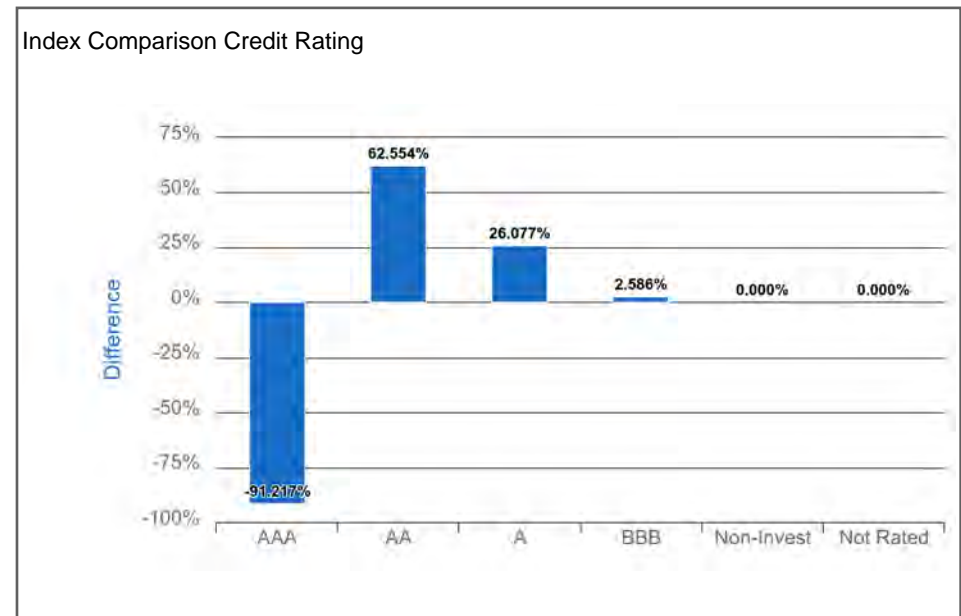
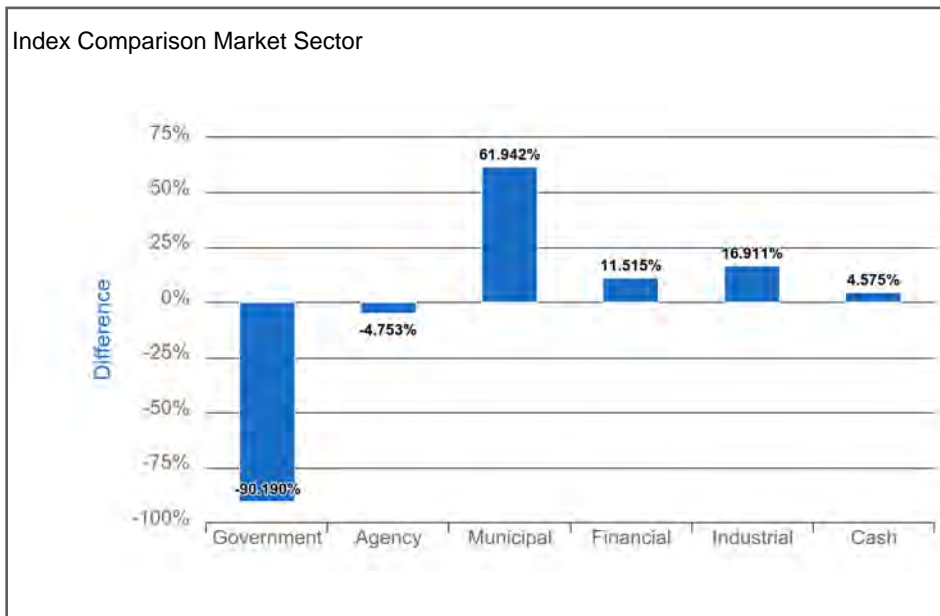
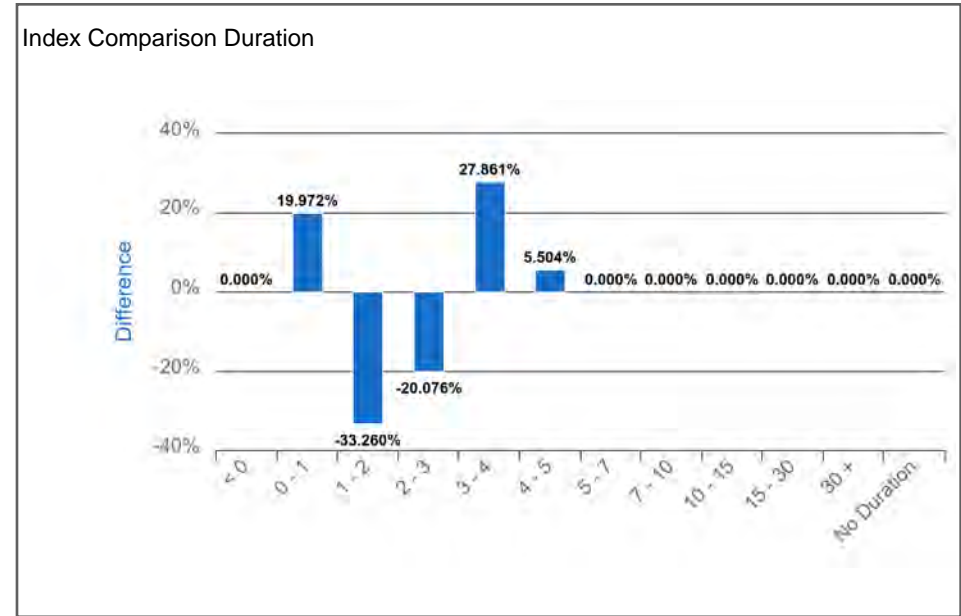
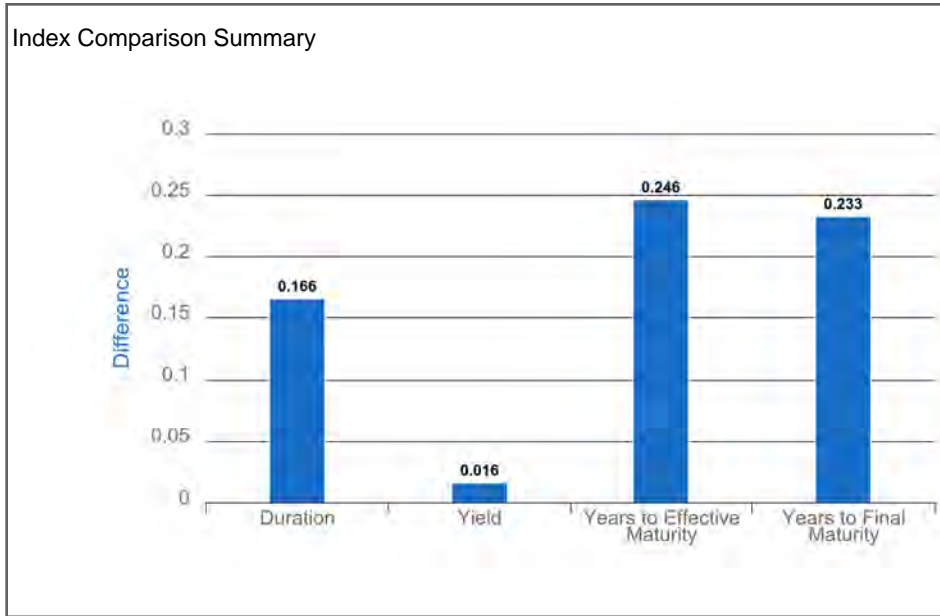
Index Comparison

03/01/2022 - 03/31/2022

SVMHS Board Designated (62286)

Dated: 04/01/2022

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Index Comparison

03/01/2022 - 03/31/2022

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Dated: 04/01/2022

Index Comparison Summary

Risk Metric	Portfolio	Index	Difference
Duration	2.086	1.920	0.166
Yield	2.298	2.282	0.016
Years to Effective Maturity	2.212	1.966	0.246
Years to Final Maturity	2.200	1.966	0.233
Average Credit Rating	A+	AAA	---

Footnote: 1

Index Comparison Duration

Duration	Portfolio	Index	Difference
< 0	0.000%	---	---
0 - 1	23.804%	3.832%	19.972%
1 - 2	22.246%	55.506%	-33.260%
2 - 3	20.585%	40.661%	-20.076%
3 - 4	27.861%	0.000%	27.861%
4 - 5	5.504%	0.000%	5.504%
5 - 7	0.000%	0.000%	0.000%
7 - 10	0.000%	0.000%	0.000%
10 - 15	0.000%	0.000%	0.000%
15 - 30	0.000%	0.000%	0.000%
30 +	0.000%	---	---
No Duration	0.000%	---	---

Footnote: 3

Index Comparison Market Sector

Market Sector	Portfolio	Index	Difference
Government	5.058%	95.247%	-90.190%
Agency	0.000%	4.753%	-4.753%
Municipal	61.942%	0.000%	61.942%
Financial	11.515%	0.000%	11.515%
Industrial	16.911%	0.000%	16.911%
Cash	4.575%	0.000%	4.575%

Footnote: 2

Index Comparison Credit Rating

Credit Rating	Portfolio	Index	Difference
AAA	7.424%	98.642%	-91.217%
AA	63.913%	1.358%	62.554%
A	26.077%	0.000%	26.077%
BBB	2.586%	0.000%	2.586%
Non-Invest	0.000%	0.000%	0.000%
Not Rated	0.000%	0.000%	0.000%

Footnote: 4

General Account Executive Summary

Account Summary (1)

03/01/2022 - 03/31/2022

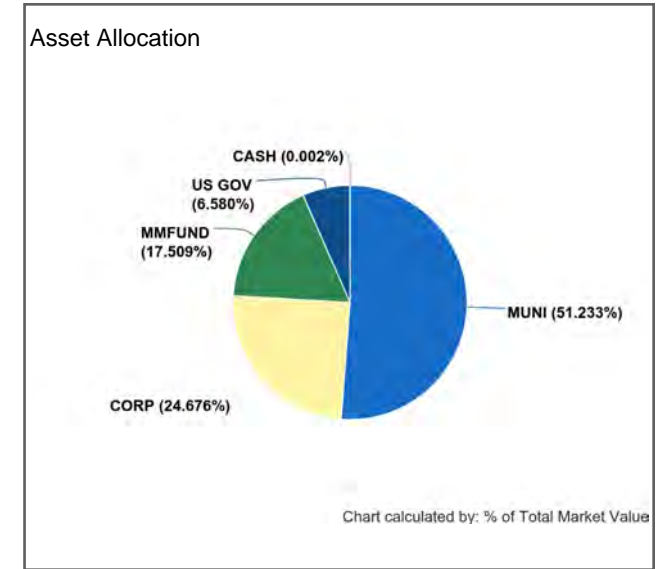
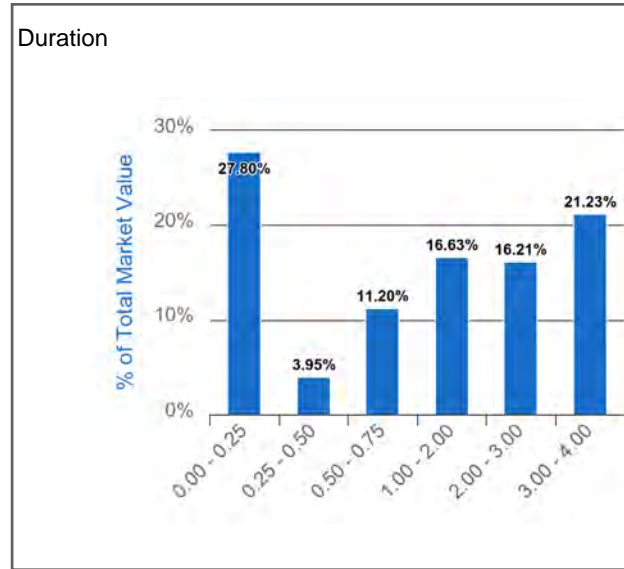
SVMHS General Account (62287)

Dated: 04/01/2022

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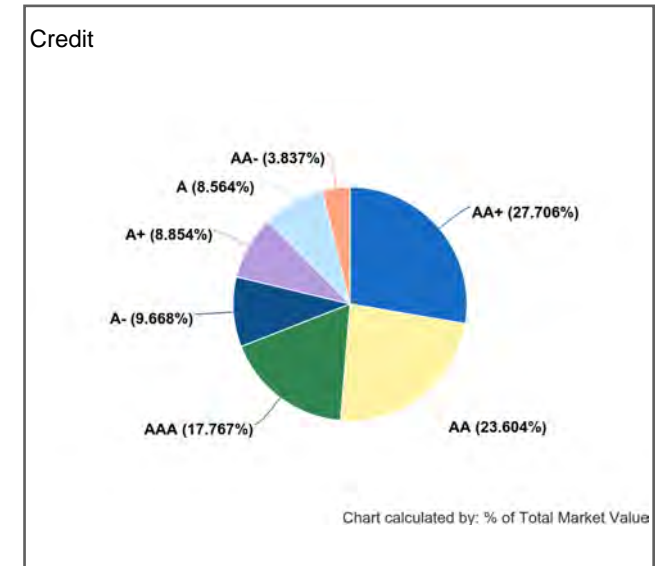
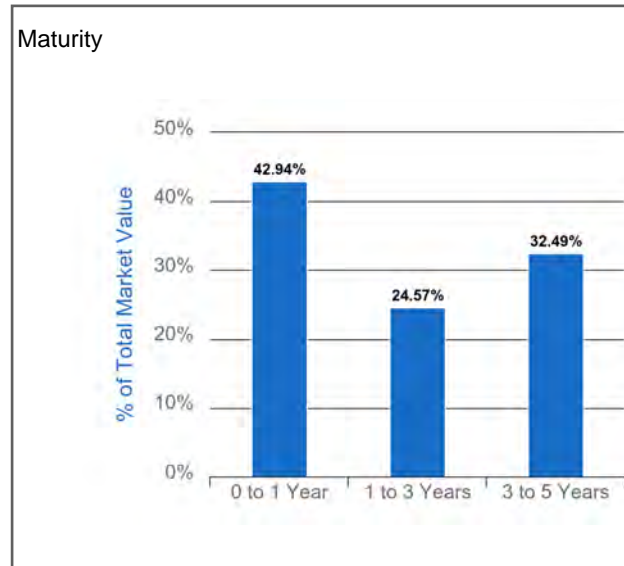
Portfolio Valuation Summary	
	<i>Portfolio</i>
Total Market Value	82,801,589
Market Value	82,406,638
Accrued Interest	394,951
Yield at Cost	1.10
Market Yield	1.96
Modified Duration	1.96
Coupon	2.00
Unrealized G/L	-2,337,049
Economic Income (12 mo)	932,366
Moody's Rating	Aa3
S&P Rating	AA-
Years to Final Maturity	1.73
Years to Effective Maturity	1.70
Eff Maturity	12/13/2023

Footnotes: 1,2,3



Performance

Period	Total Return	Income Return	Price Return	Period Begin	Period End
Year to Date	-2.167%	0.322%	-2.489%	01/01/2022	03/31/2022
Trailing Month	-1.141%	0.120%	-1.261%	03/01/2022	03/31/2022
Trailing Quarter	-2.167%	0.322%	-2.489%	01/01/2022	03/31/2022
Trailing Year	-2.271%	1.535%	-3.806%	04/01/2021	03/31/2022
Prior Month	-0.373%	0.100%	-0.473%	02/01/2022	02/28/2022
Prior Quarter	-0.567%	0.354%	-0.920%	10/01/2021	12/31/2021
Prior Year	-0.500%	1.666%	-2.166%	01/01/2021	12/31/2021
Since Inception	7.503%	---	---	08/10/2016	03/31/2022



Account Summary (3)

SVMHS General Account (62287)

Base Currency: USD As of 03/31/2022

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Dated: 04/01/2022

Security Type	Total Market Value	Market Value	Accrued Interest	% of Portfolio	Yield at Cost	Market Yield	Modified Duration	Coupon	Unrealized G/L	Economic Income (12 mo)	Moody's Rating	S&P Rating	Years to Final Maturity	Eff Maturity
CASH	1,656	1,656	0	0.00%	0.00	0.00	---	0.00	0	0	Aaa	AAA	0.00	03/31/2022
CORP	20,432,310	20,278,256	154,054	24.68%	1.32	2.55	2.25	2.66	-834,081	277,756	A2	A	2.42	08/14/2024
MMFUND	14,497,602	14,497,602	0	17.51%	0.26	0.26	---	0.25	0	37,694	Aaa	AAAm	0.00	03/31/2022
MUNI	42,421,368	42,182,199	239,169	51.23%	1.37	2.30	1.97	2.50	-1,459,787	596,829	Aa2	AA	2.08	04/22/2024
US GOV	5,448,653	5,446,925	1,728	6.58%	0.37	1.42	0.75	0.13	-43,181	20,088	Aaa	AA+	0.75	12/31/2022
---	82,801,589	82,406,638	394,951	100.00%	1.10	1.96	1.96	2.00	-2,337,049	932,366	Aa3	AA-	1.73	12/13/2023

* Grouped by: Security Type. * Groups Sorted by: Security Type. * Weighted by: Base Book Value + Accrued. * Holdings Displayed by: Position.

* Yield at Cost = [Book Yield], Summary Calculation: Weighted Average. * Coupon = [Coupon]*1, Summary Calculation: Weighted Average. * Economic Income (12 mo) = [Amort Cost]*([Book Yield])/100, Summary Calculation: Sum.

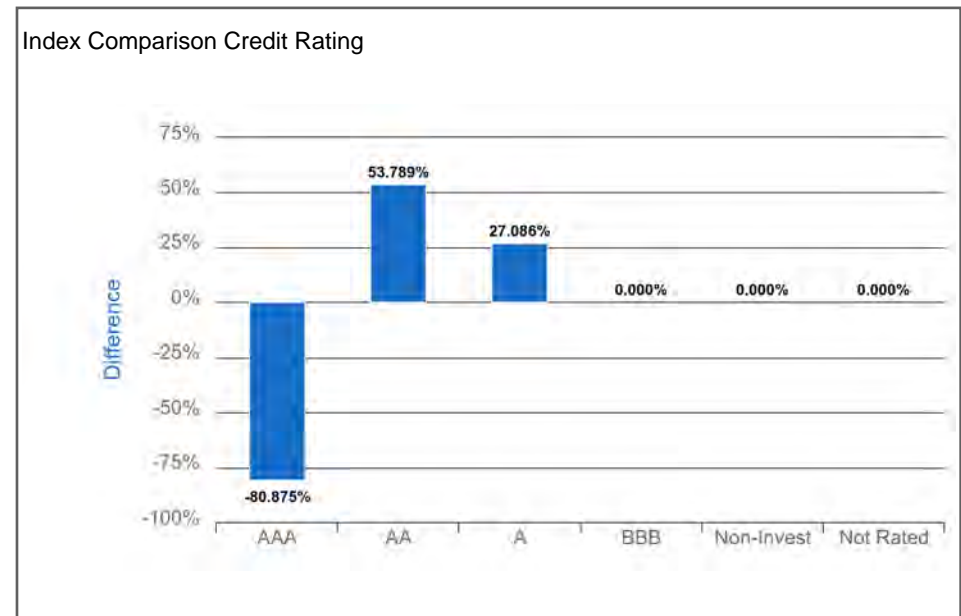
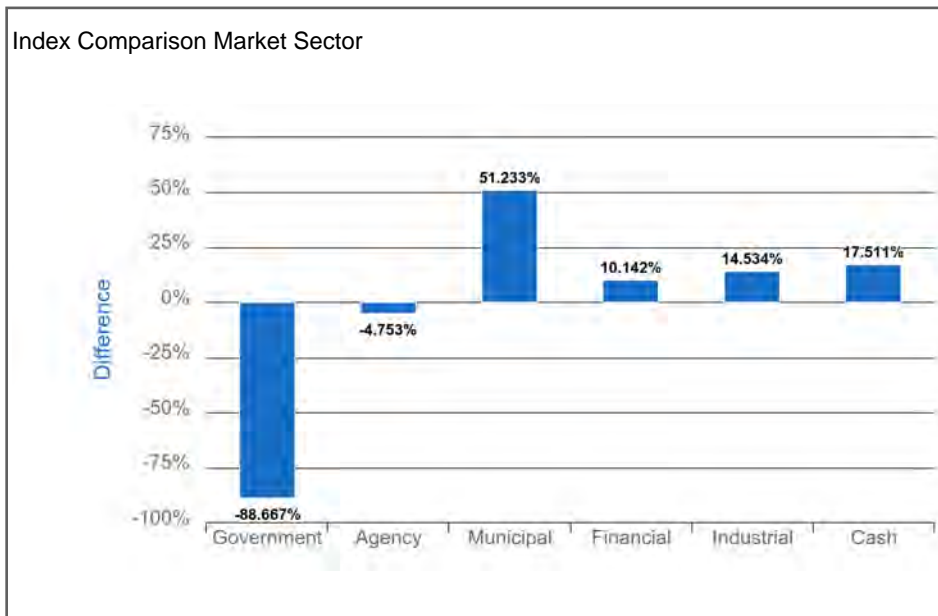
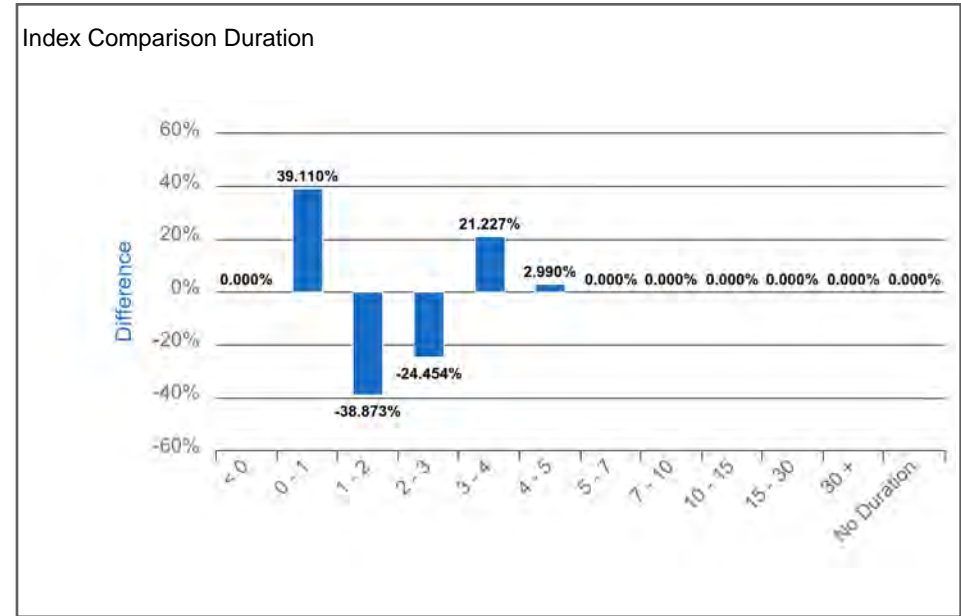
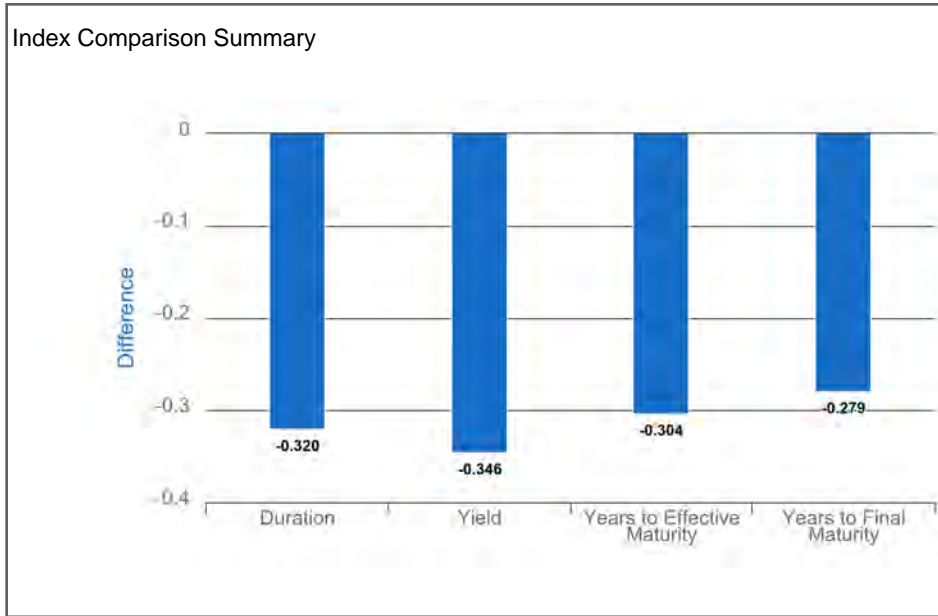
Index Comparison

SVMHS General Account (62287)

03/01/2022 - 03/31/2022

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Dated: 04/01/2022



Index Comparison

03/01/2022 - 03/31/2022

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Dated: 04/01/2022

Index Comparison Summary

Risk Metric	Portfolio	Index	Difference
Duration	1.600	1.920	-0.320
Yield	1.936	2.282	-0.346
Years to Effective Maturity	1.663	1.966	-0.304
Years to Final Maturity	1.687	1.966	-0.279
Average Credit Rating	AA-	AAA	---

Footnote: 1

Index Comparison Duration

Duration	Portfolio	Index	Difference
< 0	0.000%	---	---
0 - 1	42.943%	3.832%	39.110%
1 - 2	16.633%	55.506%	-38.873%
2 - 3	16.208%	40.661%	-24.454%
3 - 4	21.227%	0.000%	21.227%
4 - 5	2.990%	0.000%	2.990%
5 - 7	0.000%	0.000%	0.000%
7 - 10	0.000%	0.000%	0.000%
10 - 15	0.000%	0.000%	0.000%
15 - 30	0.000%	0.000%	0.000%
30 +	0.000%	---	---
No Duration	0.000%	---	---

Footnote: 3

Index Comparison Market Sector

Market Sector	Portfolio	Index	Difference
Government	6.580%	95.247%	-88.667%
Agency	0.000%	4.753%	-4.753%
Municipal	51.233%	0.000%	51.233%
Financial	10.142%	0.000%	10.142%
Industrial	14.534%	0.000%	14.534%
Cash	17.511%	0.000%	17.511%

Footnote: 2

Index Comparison Credit Rating

Credit Rating	Portfolio	Index	Difference
AAA	17.767%	98.642%	-80.875%
AA	55.147%	1.358%	53.789%
A	27.086%	0.000%	27.086%
BBB	0.000%	0.000%	0.000%
Non-Invest	0.000%	0.000%	0.000%
Not Rated	0.000%	0.000%	0.000%

Footnote: 4

Cash Reserve Executive Summary

Account Summary (1)

03/01/2022 - 03/31/2022

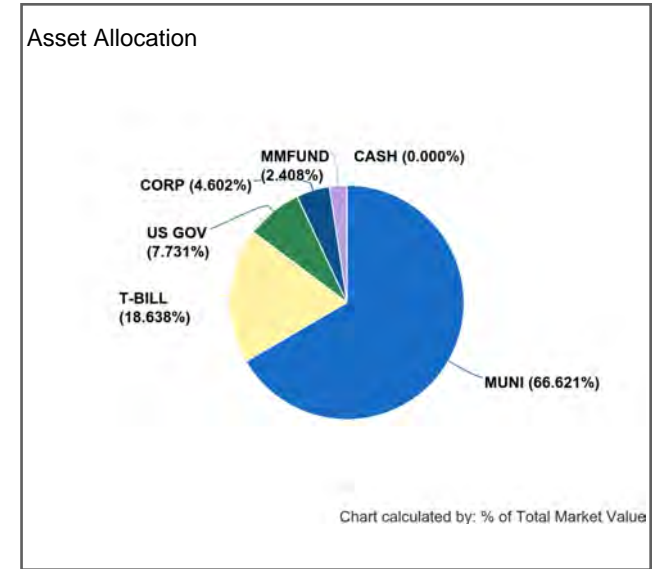
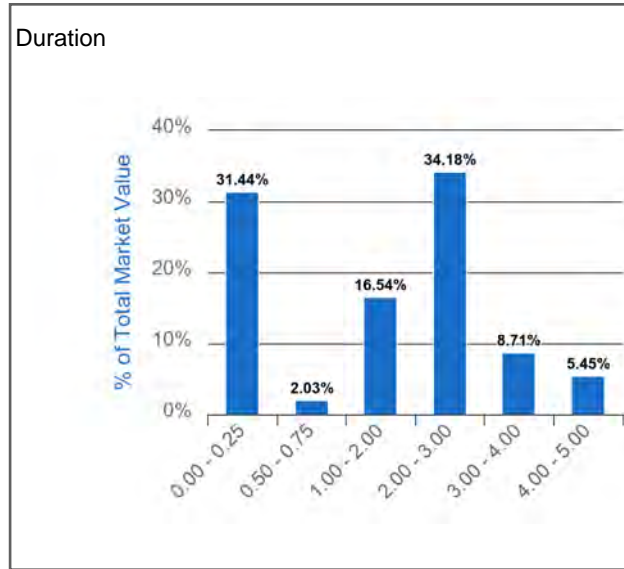
SVMHS Cash Reserve (62285)

Dated: 04/01/2022

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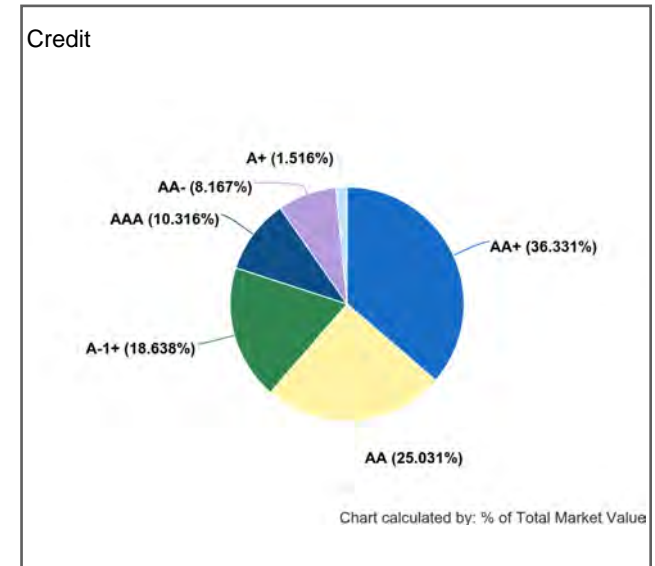
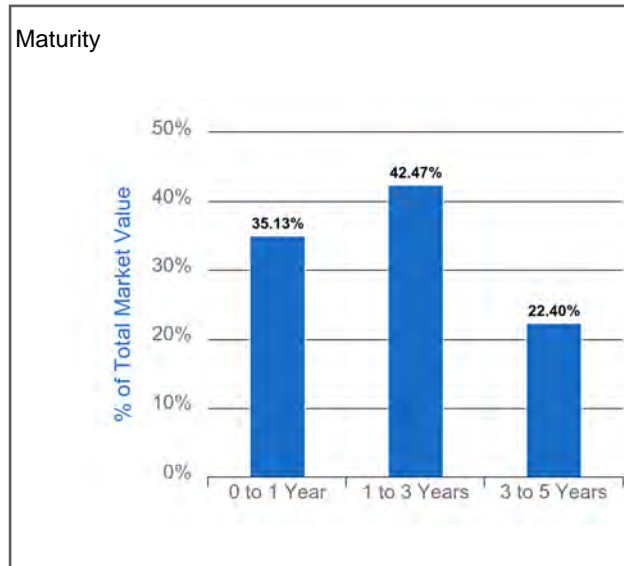
Portfolio Valuation Summary	
	<i>Portfolio</i>
Total Market Value	61,638,146
Market Value	61,372,311
Accrued Interest	265,836
Yield at Cost	0.54
Market Yield	1.90
Modified Duration	1.73
Coupon	1.61
Unrealized G/L	-1,982,689
Economic Income (12 mo)	339,684
Moody's Rating	Aa1
S&P Rating	AA+
Years to Final Maturity	1.76
Years to Effective Maturity	1.76
Eff Maturity	01/03/2024

Footnotes: 1,2,3



Performance

Period	Total Return	Income Return	Price Return	Period Begin	Period End
Year to Date	-2.182%	0.137%	-2.319%	01/01/2022	03/31/2022
Trailing Month	-1.228%	0.043%	-1.271%	03/01/2022	03/31/2022
Trailing Quarter	-2.182%	0.137%	-2.319%	01/01/2022	03/31/2022
Trailing Year	-2.506%	0.488%	-2.994%	04/01/2021	03/31/2022
Prior Month	-0.321%	0.051%	-0.372%	02/01/2022	02/28/2022
Prior Quarter	-0.622%	0.114%	-0.736%	10/01/2021	12/31/2021
Prior Year	-0.572%	0.493%	-1.065%	01/01/2021	12/31/2021
Since Inception	2.779%	---	---	02/16/2018	03/31/2022



Account Summary (3)

SVMHS Cash Reserve (62285)

Base Currency: USD As of 03/31/2022

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Dated: 04/01/2022

Security Type	Total Market Value	Market Value	Accrued Interest	% of Portfolio	Yield at Cost	Market Yield	Modified Duration	Coupon	Unrealized G/L	Economic Income (12 mo)	Moody's Rating	S&P Rating	Years to Final Maturity	Eff Maturity
CASH	170	170	0	0.00%	0.00	0.00	---	0.00	0	0	Aaa	AAA	0.00	03/31/2022
CORP	2,836,727	2,835,011	1,716	4.60%	0.31	2.10	1.34	0.43	-69,653	8,941	Aa2	AA-	1.36	08/11/2023
MMFUND	1,484,479	1,484,479	0	2.41%	0.26	0.26	---	0.25	0	3,860	Aaa	AAAm	0.00	03/31/2022
MUNI	41,063,930	40,802,141	261,789	66.62%	0.68	2.26	2.09	2.32	-1,671,463	288,351	Aa1	AA+	2.19	06/07/2024
T-BILL	11,487,810	11,487,810	0	18.64%	0.16	0.46	0.23	0.00	-8,054	18,197	P-1	A-1+	0.23	06/23/2022
US GOV	4,765,031	4,762,700	2,331	7.73%	0.41	2.44	2.34	0.38	-233,519	20,335	Aaa	AA+	2.38	08/15/2024
---	61,638,146	61,372,311	265,836	100.00%	0.54	1.90	1.73	1.61	-1,982,689	339,684	Aa1	AA+	1.76	01/03/2024

* Grouped by: Security Type. * Groups Sorted by: Security Type. * Weighted by: Base Book Value + Accrued. * Holdings Displayed by: Position.

* Yield at Cost = [Book Yield], Summary Calculation: Weighted Average. * Coupon = [Coupon]*1, Summary Calculation: Weighted Average. * Economic Income (12 mo) = [Amort Cost]*([Book Yield])/100, Summary Calculation: Sum.

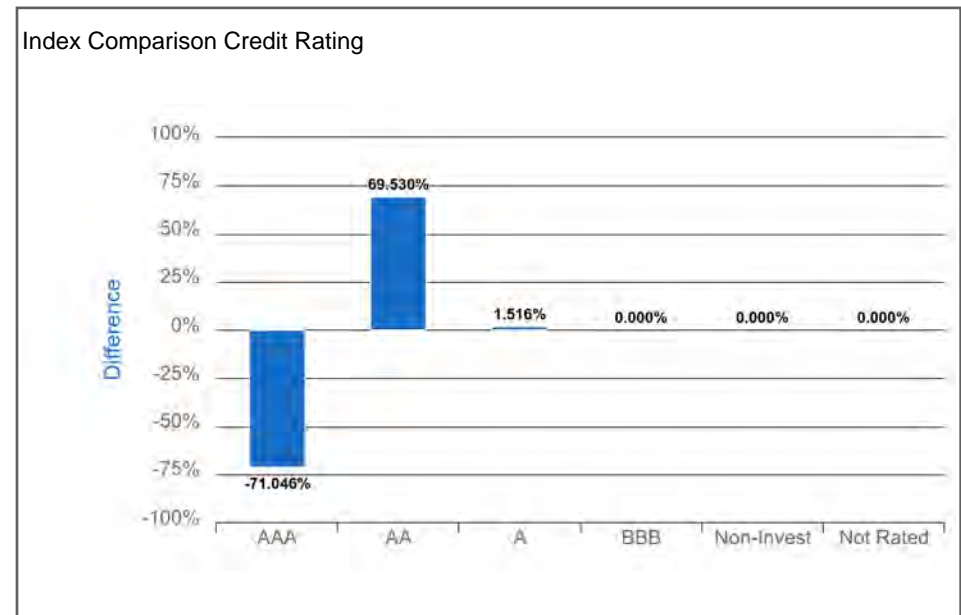
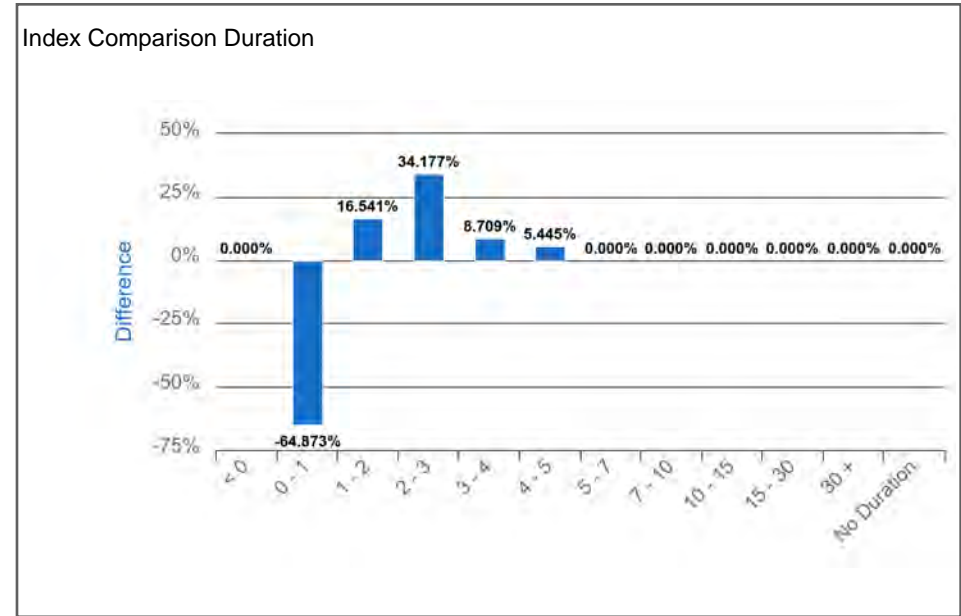
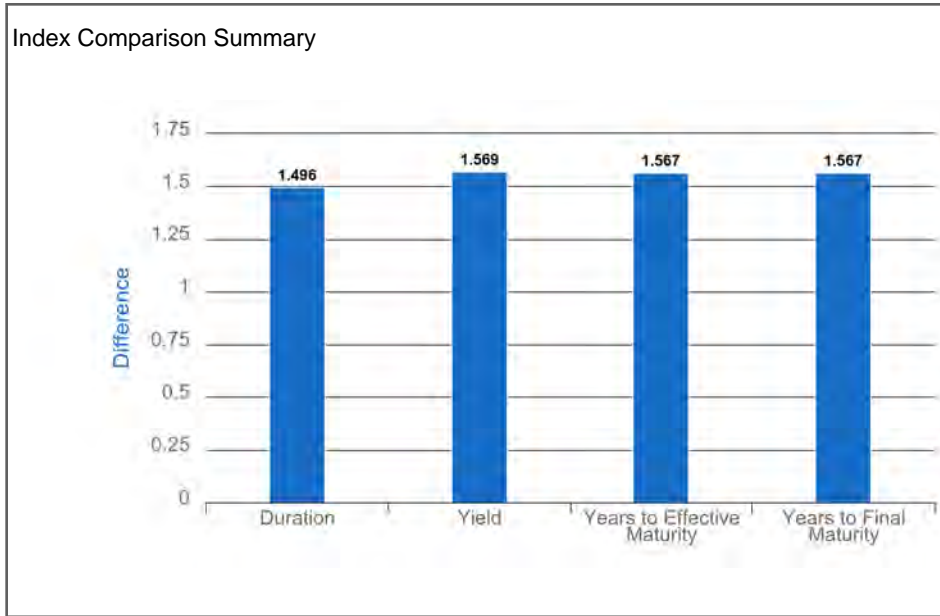
Index Comparison

03/01/2022 - 03/31/2022

SVMHS Cash Reserve (62285)

Dated: 04/01/2022

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Index Comparison

03/01/2022 - 03/31/2022

SVMHS Cash Reserve (62285)

Dated: 04/01/2022

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Index Comparison Summary

Risk Metric	Portfolio	Index	Difference
Duration	1.656	0.160	1.496
Yield	1.875	0.305	1.569
Years to Effective Maturity	1.725	0.158	1.567
Years to Final Maturity	1.725	0.158	1.567
Average Credit Rating	AA+	AAA	---

Footnote: 1

Index Comparison Duration

Duration	Portfolio	Index	Difference
< 0	0.000%	---	---
0 - 1	35.127%	100.000%	-64.873%
1 - 2	16.541%	0.000%	16.541%
2 - 3	34.177%	0.000%	34.177%
3 - 4	8.709%	0.000%	8.709%
4 - 5	5.445%	0.000%	5.445%
5 - 7	0.000%	0.000%	0.000%
7 - 10	0.000%	0.000%	0.000%
10 - 15	0.000%	0.000%	0.000%
15 - 30	0.000%	0.000%	0.000%
30 +	0.000%	---	---
No Duration	0.000%	---	---

Footnote: 3

Index Comparison Market Sector

Market Sector	Portfolio	Index	Difference
Government	26.368%	100.000%	-73.632%
Municipal	66.621%	0.000%	66.621%
Industrial	4.602%	0.000%	4.602%
Cash	2.409%	0.000%	2.409%

Footnote: 2

Index Comparison Credit Rating

Credit Rating	Portfolio	Index	Difference
AAA	28.954%	100.000%	-71.046%
AA	69.530%	0.000%	69.530%
A	1.516%	0.000%	1.516%
BBB	0.000%	0.000%	0.000%
Non-Invest	0.000%	0.000%	0.000%
Not Rated	0.000%	0.000%	0.000%

Footnote: 4

Consolidated Executive Summary

Account Summary (1)

03/01/2022 - 03/31/2022

SVMHS Consolidated (62288)

Dated: 04/01/2022

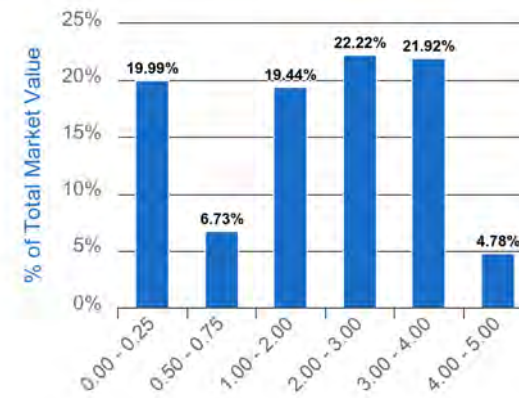
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Portfolio Valuation Summary

	<i>Portfolio</i>
Total Market Value	291,343,619
Market Value	289,781,165
Accrued Interest	1,562,454
Yield at Cost	1.05
Market Yield	2.13
Modified Duration	2.04
Coupon	2.14
Unrealized G/L	-9,570,555
Economic Income (12 mo)	3,129,023
Moody's Rating	Aa3
S&P Rating	AA-
Years to Final Maturity	1.99
Years to Effective Maturity	1.99
Eff Maturity	03/28/2024

Footnotes: 1,2,3

Duration



Asset Allocation

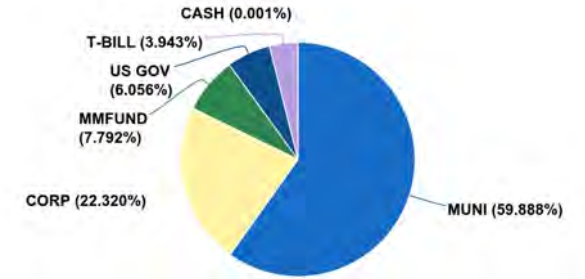
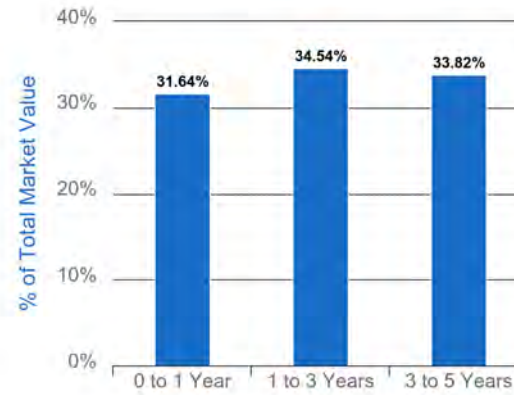


Chart calculated by: % of Total Market Value

Performance

Period	Total Return	Income Return	Price Return	Period Begin	Period End
Year to Date	-2.502%	0.283%	-2.785%	01/01/2022	03/31/2022
Trailing Month	-1.364%	0.098%	-1.462%	03/01/2022	03/31/2022
Trailing Quarter	-2.502%	0.283%	-2.785%	01/01/2022	03/31/2022
Trailing Year	-2.676%	1.192%	-3.868%	04/01/2021	03/31/2022
Prior Month	-0.422%	0.095%	-0.517%	02/01/2022	02/28/2022
Prior Quarter	-0.649%	0.274%	-0.923%	10/01/2021	12/31/2021
Prior Year	-0.637%	1.252%	-1.889%	01/01/2021	12/31/2021
Since Inception	5.253%	---	---	08/10/2016	03/31/2022

Maturity



Credit

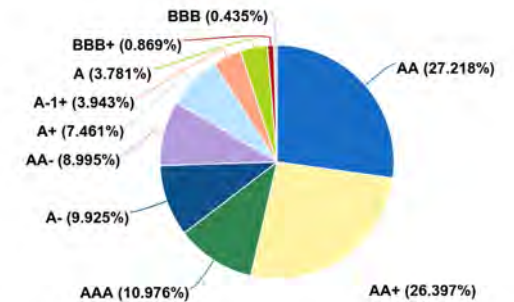


Chart calculated by: % of Total Market Value

Account Summary (3)

SVMHS Consolidated (62288)

Base Currency: USD As of 03/31/2022

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Dated: 04/01/2022

Security Type	Total Market Value	Market Value	Accrued Interest	% of Portfolio	Yield at Cost	Market Yield	Modified Duration	Coupon	Unrealized G/L	Economic Income (12 mo)	Moody's Rating	S&P Rating	Years to Final Maturity	Eff Maturity
CASH	2,536	2,536	0	0.00%	0.00	0.00	---	0.00	0	0	Aaa	AAA	0.00	03/31/2022
CORP	65,027,379	64,567,164	460,215	22.32%	1.38	2.48	2.19	2.66	-2,577,277	927,754	A2	A	2.36	07/24/2024
MMFUND	22,701,512	22,701,512	0	7.79%	0.26	0.26	---	0.25	0	59,024	Aaa	AAAm	0.00	03/31/2022
MUNI	174,480,716	173,384,892	1,095,824	59.89%	1.14	2.38	2.18	2.51	-6,649,641	2,056,232	Aa2	AA	2.30	07/22/2024
T-BILL	11,487,810	11,487,810	0	3.94%	0.16	0.46	0.23	0.00	-8,054	18,197	P-1	A-1+	0.23	06/23/2022
US GOV	17,643,666	17,637,250	6,416	6.06%	0.38	1.70	1.19	0.19	-335,583	67,815	Aaa	AA+	1.20	06/14/2023
---	291,343,619	289,781,165	1,562,454	100.00%	1.05	2.13	2.04	2.14	-9,570,555	3,129,023	Aa3	AA-	1.99	03/28/2024

* Grouped by: Security Type. * Groups Sorted by: Security Type. * Weighted by: Base Book Value + Accrued. * Holdings Displayed by: Position.

* Yield at Cost = [Book Yield], Summary Calculation: Weighted Average. * Coupon = [Coupon]*1, Summary Calculation: Weighted Average. * Economic Income (12 mo) = [Amort Cost]*([Book Yield])/100, Summary Calculation: Sum.

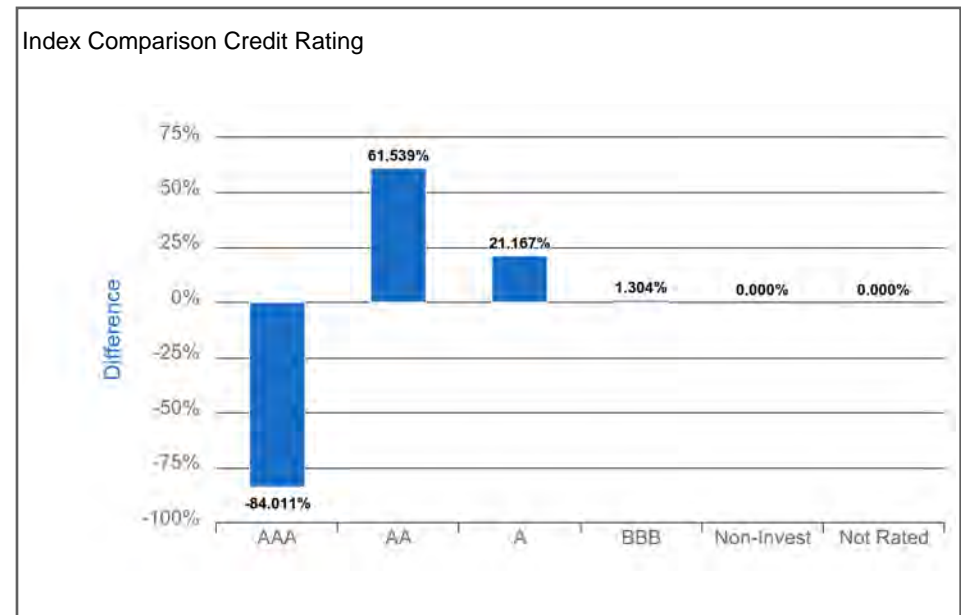
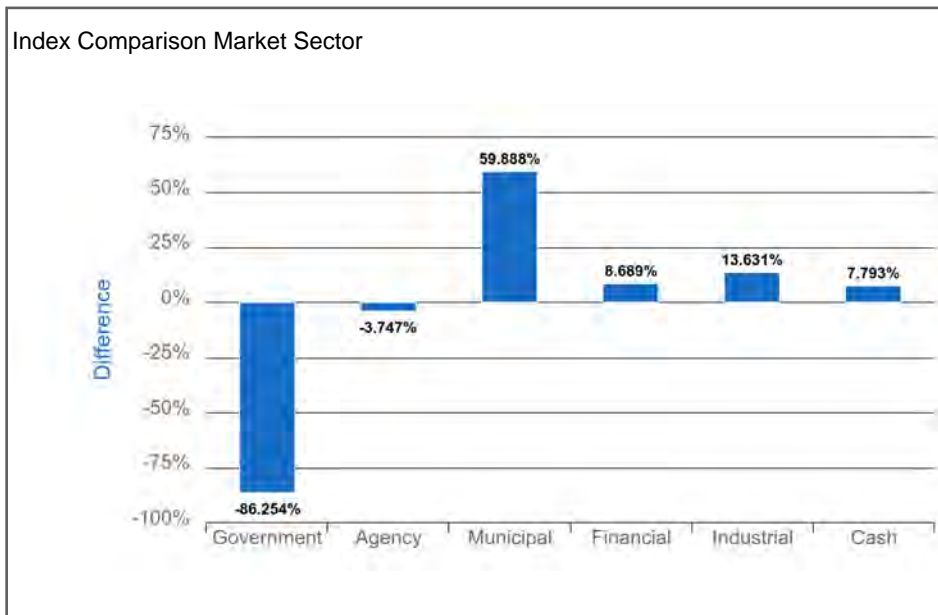
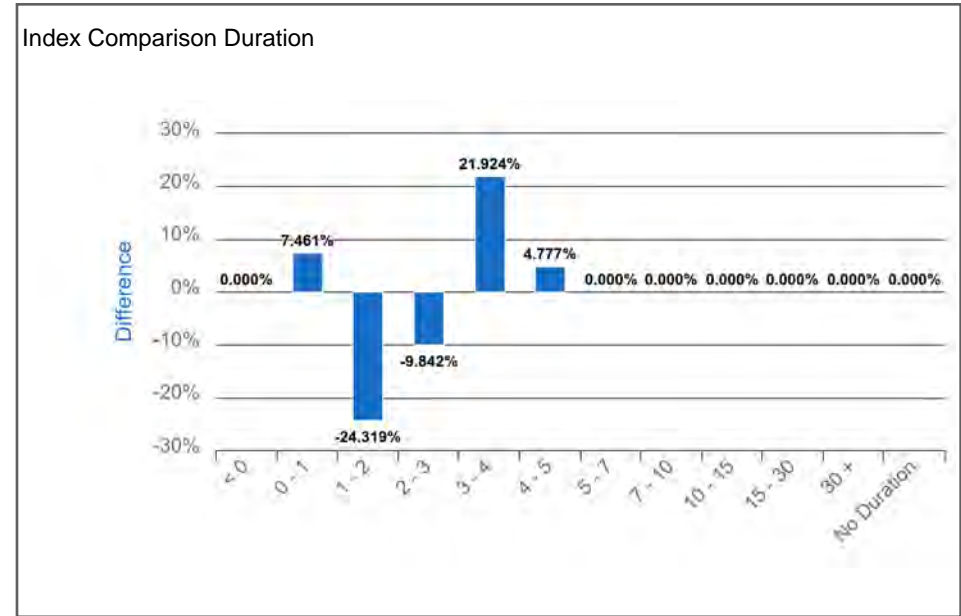
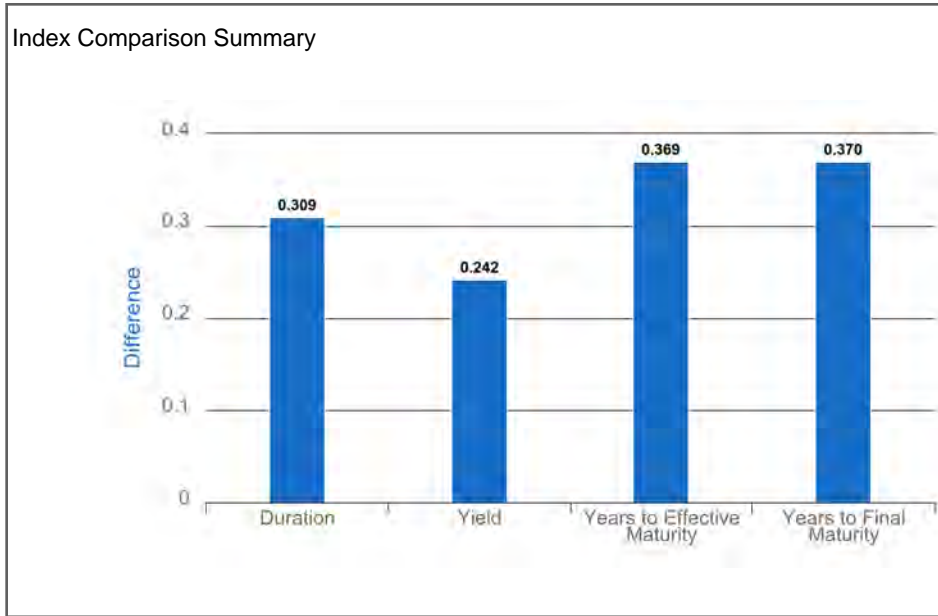
Index Comparison

SVMHS Consolidated (62288)

03/01/2022 - 03/31/2022

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Dated: 04/01/2022



Index Comparison

03/01/2022 - 03/31/2022

SVMHS Consolidated (62288)

Dated: 04/01/2022

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Index Comparison Summary			
<i>Risk Metric</i>	<i>Portfolio</i>	<i>Index</i>	<i>Difference</i>
Duration	1.857	1.548	0.309
Yield	2.105	1.864	0.242
Years to Effective Maturity	1.953	1.584	0.369
Years to Final Maturity	1.954	1.584	0.370
Average Credit Rating	AA-	AAA	---

Footnote: 1

Index Comparison Duration			
<i>Duration</i>	<i>Portfolio</i>	<i>Index</i>	<i>Difference</i>
< 0	0.000%	---	---
0 - 1	31.639%	24.178%	7.461%
1 - 2	19.444%	43.763%	-24.319%
2 - 3	22.217%	32.059%	-9.842%
3 - 4	21.924%	0.000%	21.924%
4 - 5	4.777%	0.000%	4.777%
5 - 7	0.000%	0.000%	0.000%
7 - 10	0.000%	0.000%	0.000%
10 - 15	0.000%	0.000%	0.000%
15 - 30	0.000%	0.000%	0.000%
30 +	0.000%	---	---
No Duration	0.000%	---	---

Footnote: 3

Index Comparison Market Sector			
<i>Market Sector</i>	<i>Portfolio</i>	<i>Index</i>	<i>Difference</i>
Government	9.999%	96.253%	-86.254%
Agency	0.000%	3.747%	-3.747%
Municipal	59.888%	0.000%	59.888%
Financial	8.689%	0.000%	8.689%
Industrial	13.631%	0.000%	13.631%
Cash	7.793%	0.000%	7.793%

Footnote: 2

Index Comparison Credit Rating			
<i>Credit Rating</i>	<i>Portfolio</i>	<i>Index</i>	<i>Difference</i>
AAA	14.919%	98.929%	-84.011%
AA	62.610%	1.071%	61.539%
A	21.167%	0.000%	21.167%
BBB	1.304%	0.000%	1.304%
Non-Invest	0.000%	0.000%	0.000%
Not Rated	0.000%	0.000%	0.000%

Footnote: 4

SECTION 4

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(as of February 28, 2022)

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	Count	% of Total	Count	% of Total IBC	% of Rating Category	Count	% of Total Other MISC
Overweight/Buy	1494	42%	386	46%	26%	645	41%
Equal-weight/Hold	1524	43%	372	44%	24%	708	45%
Not-Rated/Hold	0	0%	0	0%	0%	0	0%
Underweight/Sell	547	15%	85	10%	16%	209	13%
Total	3,565		843			1562	

Data include common stock and ADRs currently assigned ratings. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months. Due to rounding off of decimals, the percentages provided in the "% of total" column may not add up to exactly 100 percent.

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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.

Additionally, highly ranked managers can have differing risk profiles that might not be appropriate for all investors. For more information on AAA, please see the Adverse Active Alpha Ranking Model and Selecting Managers with Adverse Active Alpha whitepapers. The whitepaper are available from your Financial Advisor or Private Wealth Advisor. ADVERSE ACTIVE ALPHA is a registered service mark of Morgan Stanley and/or its affiliates. U.S. Pat. No. 8,756,098 applies to the Adverse Active Alpha system and/or methodology.

The Global Investment Manager Analysis (GIMA) Services Only Apply to Certain Investment Advisory Programs GIMA evaluates certain investment products for the purposes of some – but not all – of Morgan Stanley Smith Barney LLC's investment advisory programs (as described in more detail in the applicable Form ADV Disclosure Document for Morgan Stanley Wealth Management). If you do not invest through one of these investment advisory programs, Morgan Stanley Wealth Management is not obligated to provide you notice of any GIMA Status changes even though it may give notice to clients in other programs.

Strategy May Be Available as a Separately Managed Account or Mutual Fund Strategies are sometimes available in Morgan Stanley Wealth Management investment advisory programs both in the form of a separately managed account ("SMA") and a mutual fund. These may have different expenses and investment minimums. Your Financial Advisor or Private Wealth Advisor can provide more information on whether any particular strategy is available in more than one form in a particular investment advisory program. Generally, investment advisory accounts are subject to an annual asset-based fee which is payable monthly in advance (some account types may be billed differently). (The "Fee"). In general, the Fee covers Morgan Stanley investment advisory services, custody of securities with Morgan Stanley, trade execution with or through Morgan Stanley or its affiliates, as well as compensation to any Morgan Stanley Financial Advisor.

In addition, each account that is invested in a program that is eligible to purchase certain investment products, such as mutual funds, will also pay a Platform Fee (which is subject to a Platform Fee offset) as described in the applicable ADV brochure. Accounts invested in the Select UMA program will also pay a separate Morgan Stanley Overlay Manager Fee and any applicable Sub-Manager fees. If your account is invested in mutual funds or exchange traded funds (collectively "funds"), you will pay the fees and expenses of any funds in which your account is invested. Fees and expenses are charged directly to the pool of assets the fund invests in and are reflected in each fund's share price. These fees and expenses are an additional cost to you and would not be included in the Fee amount in your account statements. Overlay Managers or Executing Sub-Managers ("managers") in some of Morgan Stanley's Separately Managed Account ("SMA") programs may affect transactions through broker-dealers other than Morgan Stanley or our affiliates. If your manager trades with another firm, you may be assessed costs by the other firm in addition to Morgan Stanley's fees. Those costs will be included in the net price of the security, not separately reported on trade confirmations or account statements. Certain managers have historically directed most, if not all, of their trades to outside firms. Information provided by managers concerning trade execution away from Morgan Stanley is summarized at: www.morganstanley.com/wealth/investmentsolutions/pdfs/adv/sotresponse.pdf. For more information, please refer to the ADV Brochure for your program(s), available at www.morganstanley.com/ADV or contact your Financial Advisor/Private Wealth Advisor. For example, on an advisory account with a 2.5% annual fee, if the gross annual performance is 6.00%, the compounding effect of the fees will result in a net performance of approximately 3.38% after one year, 10.50% after three years, and 18.10% after five years. **Conflicts of Interest:** GIMA's goal is to provide professional, objective evaluations in support of the Morgan Stanley Wealth Management investment advisory programs. We have policies and procedures to help us meet this goal. However, our business is subject to various conflicts of interest. For example, ideas and suggestions for which investment products should be evaluated by GIMA come from a variety of sources, including our Morgan Stanley Wealth Management Financial Advisors and their direct or indirect managers, and other business persons within Morgan Stanley Wealth Management or its affiliates. Such persons may have an ongoing business relationship with certain investment managers or mutual fund companies whereby they, Morgan Stanley Wealth Management or its affiliates receive compensation from, or otherwise related to, those investment managers or mutual funds. For example, a Financial Advisor may suggest that GIMA evaluates an investment manager or fund in which a portion of his or her clients' assets are already invested. While such a recommendation is permissible, GIMA is responsible for the opinions expressed by GIMA. See the conflicts of interest section in the applicable Form ADV Disclosure Document for Morgan Stanley Wealth Management for a discussion of other types of conflicts that may be relevant to GIMA's evaluation of managers and funds. In addition, Morgan Stanley Wealth Management, MS & Co., managers and their affiliates provide a variety of services

(including research, brokerage, asset management, trading, lending and investment banking services) for each other and for various clients, including issuers of securities that may be recommended for purchase or sale by clients or are otherwise held in client accounts, and managers in various advisory programs. Morgan Stanley Wealth Management, managers, MS & Co., and their affiliates receive compensation and fees in connection with these services. Morgan Stanley Wealth Management believes that the nature and range of clients to which such services are rendered is such that it would be inadvisable to exclude categorically all of these companies from an account.

Morgan Stanley charges each fund family we offer a mutual fund support fee, also called a "revenue-sharing payment," on client account holdings in fund families according to a tiered rate that increases along with the management fee of the fund so that lower management fee funds pay lower rates than those with higher management fees.

Consider Your Own Investment Needs: The model portfolios and strategies discussed in the material are formulated based on general client characteristics including risk tolerance. This material is not intended to be an analysis of whether particular investments or strategies are appropriate for you or a recommendation, or an offer to participate in any investment. Therefore, clients should not use this material as the sole basis for investment decisions. They should consider all relevant information, including their existing portfolio, investment objectives, risk tolerance, liquidity needs and investment time horizon. Such a determination may lead to asset allocation results that are materially different from the asset allocation shown in this profile. Talk to your Financial Advisor about what would be an appropriate asset allocation for you, whether CGCM is an appropriate program for you.

No obligation to notify – Morgan Stanley Wealth Management has no obligation to notify you when the model portfolios, strategies, or any other information, in this material changes.

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

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

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

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

The Morgan Stanley Digital Vault ("Digital Vault") is accessible to clients with dedicated Financial Advisors. Documents shared via the Digital Vault should be limited to those relevant to your Morgan Stanley account relationship. Uploading a document to the Digital Vault does not obligate us to review or take any action on it, and we will not be liable for any failure to act upon the contents of such document. Please contact your Financial Advisor or Branch Management to discuss the appropriate process for providing the document to us for review. If you maintain a Trust or entity account with us, only our certification form will govern our obligations for such account. Please refer to the Morgan Stanley Digital Vault terms and conditions for more information.

Information related to your external accounts is provided for informational purposes only. It is provided by third parties, including the financial institutions where your external accounts are held. Morgan Stanley does not verify that the information is accurate and makes no representation or warranty as to its accuracy, timeliness, or completeness. Additional information about the features and services offered through Total Wealth View are available on the Total Wealth View site on Morgan Stanley Online and also in the Total Wealth View Terms and Conditions of Use.

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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

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. 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>

The Consulting Group Capital Markets Funds, Firm Discretionary UMA Model Portfolios, and other asset allocation or any other model portfolios discussed in this material are available only to investors participating in Morgan Stanley Consulting Group advisory programs. For additional information on the Morgan Stanley Consulting Group advisory programs, see the applicable ADV brochure, available at www.morganstanley.com/ADV or from your Morgan Stanley Financial Advisor or Private Wealth Advisor. To learn more about the Consulting Group Capital Markets Funds, visit the Funds' website at www.morganstanley.com/cgcm. Consulting Group is a business of Morgan Stanley.

Morgan Stanley Pathway Program Asset Allocation Models There are model portfolios corresponding to five risk-tolerance levels available in the Pathway program. Model 1 is the least aggressive portfolio and consists mostly of bonds. As the model numbers increase, the models have higher allocations to equities and become more aggressive. Pathway is a mutual fund asset allocation program. In constructing the Pathway Program Model Portfolios, Morgan Stanley Wealth Management uses, among other things, model asset allocations produced by Morgan Wealth Management's Global

Investment Committee (the "GIC"). The Pathway Program Model Portfolios are specific to the Pathway program (based on program features and parameters, and any other requirements of Morgan Stanley Wealth Management's Consulting Group). The Pathway Program Model Portfolios may therefore differ in some respects from model portfolios available in other Morgan Stanley Wealth Management programs or from asset allocation models published by the Global Investment Committee.

529 Plans - Investors should carefully read the Program Disclosure statement, which contains more information on investment options, risk factors, fees and expenses, and possible tax consequences before purchasing a 529 plan. You can obtain a copy of the Program Disclosure Statement from the 529 plan sponsor or your Financial Advisor. Assets can accumulate and be withdrawn federally tax-free only if they are used to pay for qualified expenses. Earnings on nonqualified distributions will be subject to income tax and a 10% federal income tax penalty. Contribution limits vary by state. Refer to the individual plan for specific contribution guidelines. Before investing, investors should consider whether tax or other benefits are only available for investments in the investor's home state 529 college savings plan. If an account owner or the beneficiary resides in or pays income taxes to a state that offers its own 529 college savings or pre-paid tuition plan

(an "In-State Plan"), that state may offer state or local tax benefits. These tax benefits may include deductible contributions, deferral of taxes on earnings and/or tax-free withdrawals. In addition, some states waive or discount fees or offer other benefits for state residents or taxpayers who participate in the In-State Plan. An account owner may be denied any or all state or local tax benefits or expense reductions by investing in another state's plan (an "Out-of-State Plan"). In addition, an account owner's state or locality may seek to recover the value of tax benefits (by assessing income or penalty taxes) should an account owner rollover or transfer assets from an In-State Plan to an Out-of-State Plan. While state and local tax consequences and plan expenses are not the only factors to consider when investing in a 529 Plan, they are important to an account owner's investment return and should be taken into account when selecting a 529 plan.

Lifestyle Advisory Services: Products and services are provided by third party service providers, not Morgan Stanley Smith Barney LLC ("Morgan Stanley"). Morgan Stanley may not receive a referral fee or have any input concerning such products or services. There may be additional service providers for comparative purposes. Please perform a thorough due diligence and make your own independent decision.

The Morgan Stanley National Advisory 529 Plan. The North Carolina State Education Assistance Authority (the "Authority") is an instrumentality of the State of North Carolina sponsoring the Morgan Stanley National Advisory 529 Plan, and the 529 Plan is a component of the Parental Savings Trust Fund established by the General Assembly of North Carolina. Neither the Authority, the State of North Carolina nor any other affiliated public entity or any other public entity is guaranteeing the principal or earnings in any account. Contributions or accounts may lose value and nothing stated herein, the 529 Plan Description and Participation Agreement or any other account documentation shall be construed to create any obligation of the Authority, the North Carolina State Treasurer, the State of North Carolina, or any agency or instrumentality of the State of North Carolina to guarantee for the benefit of any parent, other interested party, or designated beneficiary the rate of return or other return for any contribution to the Parental Savings Trust Fund and the 529 Plan.

Morgan Stanley Smith Barney LLC ("Morgan Stanley") is the manager of the Morgan Stanley National Advisory 529 Plan and is responsible for its administration, distribution and investment management. For more information please see the Morgan Stanley National Advisory 529 Plan Description and the applicable Morgan Stanley ADV brochure at www.ms.com/adv.

The Morgan Stanley National Advisory 529 Plan is a proprietary offering available exclusively to Morgan Stanley advisory account clients. The Plan is not transferable to other intermediaries.

To obtain **Tax-Management Services**, a client must complete the Tax-Management Form, and deliver the signed form to Morgan Stanley. For more information on Tax-Management Services, including its features and limitations, please ask your Financial Advisor for the Tax Management Form. Review the form carefully with your tax advisor. Tax-Management Services: (a) apply only to equity investments in separate account sleeves of client accounts; (b) are not available for all accounts or clients; and (c) may adversely impact account performance. Tax-management services do not constitute tax advice or a complete tax-sensitive investment management program. There is no guarantee that tax-management services will produce the desired tax results.

Morgan Stanley Smith Barney LLC does not accept appointments nor will it act as a trustee but it will provide access to trust services through an appropriate third -party corporate trustee.

A **LifeView Financial Goal Analysis or LifeView Financial Plan ("Financial Plan")** is based on the methodology, estimates, and assumptions, as described in your report, as well as personal data provided by you. It should be considered a working document that can assist you with your objectives. Morgan Stanley Smith Barney LLC ("Morgan Stanley") makes no guarantees as to future results or that an individual's investment objectives will be achieved. The responsibility for implementing, monitoring and adjusting your financial goal analysis or financial plan rests with you. After your Financial Advisor delivers your report to you, if you so desire, your Financial Advisor can help you implement any part that you choose; however, you are not obligated to work with your Financial Advisor or Morgan Stanley.

Since **life and long-term care insurance** are medically underwritten, you should not cancel your current policy until your new policy is in force. A change to your current policy may incur charges, fees and costs. A new policy will require a medical exam. Surrender charges may be imposed and the period of time for which the surrender charges apply may increase with a new policy. You should consult with your own tax advisors regarding your potential tax liability on surrenders.

The Morgan Stanley Global Impact Funding Trust, Inc. ("MS GIFT, Inc.") is an organization described in Section 501(c) (3) of the Internal Revenue Code of 1986, as amended. MS Global Impact Funding Trust ("MS GIFT") is a donor-advised fund. Morgan Stanley Smith Barney LLC provides investment management and administrative services to MS GIFT. Back office administration provided by RenPSG, an unaffiliated charitable gift administrator.

Important Risk Information for Securities Based Lending: You need to understand that: (1) Sufficient collateral must be maintained to support your loan(s) and to take future advances; (2) You may have to deposit additional cash or eligible securities on short notice; (3) Some or all of your securities may be sold without prior notice in order to maintain account equity at required maintenance levels. You will not be entitled to choose the securities that will be sold. These actions may interrupt your long-term investment strategy and may result in adverse tax consequences or in additional fees being assessed; (4) Morgan Stanley Bank, N.A., Morgan Stanley Private Bank, National Association or Morgan Stanley Smith Barney LLC (collectively referred to as "Morgan Stanley") reserves the right not to fund any advance request due to insufficient collateral or for any other reason except for any portion of a securities based loan that is identified as a committed facility ; (5) Morgan Stanley reserves the right to increase your collateral maintenance requirements at any time without notice; and (6) Morgan Stanley reserves the right to call securities based loans at any time and for any reason.

With the exception of a margin loan, the proceeds from securities based loan products may not be used to purchase, trade, or carry margin stock (or securities, with respect to Express CreditLine); repay margin debt that was used to purchase, trade or carry margin stock (or securities, with respect to Express CreditLine); and cannot be deposited into a Morgan Stanley Smith Barney LLC or other brokerage account. A non-purpose securities based loan cannot be used to purchase, trade or carry securities or margin stock, as applicable.

To be eligible for a securities based loan, a client must have a brokerage account at Morgan Stanley Smith Barney LLC that contains eligible securities, which shall serve as collateral for the securities based loan.

Lending products and securities based loans are provided by Morgan Stanley Smith Barney LLC, Morgan Stanley Private Bank, National Association or Morgan Stanley Bank, N.A, as applicable.

Liquidity Access Line ("LAL") is a securities based loan/line of credit product, the lender of which is either Morgan Stanley Private Bank, National Association or Morgan Stanley Bank, N.A., as applicable, each an affiliate of Morgan Stanley Smith Barney LLC. All LAL loans/lines of credit are subject to the underwriting standards and independent approval of Morgan Stanley Private Bank, National Association or Morgan Stanley Bank, N.A., as applicable. LAL loans/lines of credit may not be available in all locations. Rates, terms and conditions are subject to change without notice. To be eligible for an LAL loan/line of credit, a client must have a brokerage account at Morgan Stanley Smith Barney LLC that contains eligible securities, which shall serve as collateral for the LAL. In conjunction with establishing an LAL loan/line of credit, an LAL facilitation account will also be opened in the client's name at Morgan Stanley Smith Barney LLC at no charge. Other restrictions may apply. The information contained herein should not be construed as a commitment to lend. Morgan Stanley Private Bank, National Association and Morgan Stanley Bank, N.A. are Members FDIC that are primarily regulated by the Office of the Comptroller of the Currency. **The proceeds from a non-purpose LAL loan/line of credit (including draws and other advances) may not be used to purchase, trade, or carry margin stock; repay margin debt that was used to purchase, trade, or carry margin stock; and cannot be deposited into a Morgan Stanley Smith Barney LLC or other brokerage account.**

Residential mortgage loans/home equity lines of credit are offered by Morgan Stanley Private Bank, National Association, an affiliate of Morgan Stanley Smith Barney LLC. With the exception of the pledged-asset feature, an investment relationship with Morgan Stanley Smith Barney LLC does not have to be established or maintained to obtain the residential mortgage products offered by Morgan Stanley Private Bank, National Association. All residential mortgage loans/home equity lines of credit are subject to the underwriting standards and independent approval of Morgan Stanley Private Bank, National Association. Rates, terms, and programs are subject to change without notice. Residential mortgage loans/home equity lines of credit may not be available in all states; not available in Guam, Puerto Rico and the U.S. Virgin Islands. Other restrictions may apply. The information contained herein should not be construed as a commitment to lend. Morgan Stanley Private Bank, National Association is an Equal Housing Lender and Member FDIC that is primarily regulated by the Office of the Comptroller of the Currency. Nationwide Mortgage Licensing System Unique Identifier #663185. **The proceeds from a residential mortgage loan (including draws and advances from a home equity line of credit) are not permitted to be used to purchase, trade, or carry eligible margin stock; repay margin debt that was used to purchase, trade, or carry margin stock; or to make payments on any amounts owed under the note, loan agreement, or loan security agreement; and cannot be deposited into a Morgan Stanley Smith Barney LLC or other brokerage account.**

Through the pledged-asset feature offered by Morgan Stanley Private Bank, National Association, the applicant(s) or third party pledgor (collectively "Client") may be able to pledge eligible securities in lieu of a full or partial cash down payment or in connection with a refinance mortgage loan. To be eligible for the pledged-asset feature a Client must have a brokerage account at Morgan Stanley

Smith Barney LLC. If the value of the pledged securities in the account drops below the agreed-upon level stated in the loan documents, a Client may be required to deposit additional securities or other collateral (such as cash) to stay in compliance with the terms of the mortgage loan. If a Client does not deposit additional securities or other collateral, the Client's pledged securities may be sold to satisfy the Client's obligation, and the Client will not be entitled to choose which assets will be sold. Borrowing against securities may not be appropriate for everyone. In deciding whether the pledged-asset feature is appropriate, a Client should consider, among other things, the degree to which he or she is comfortable subjecting his or her investment in a home to the fluctuations of the securities market. The pledged-asset feature is not available in all states. Other restrictions may apply.

Interest-only loans enable borrowers to make monthly payments of only the accrued monthly interest on the loan during the introductory interest-only period. Once that period ends, borrowers must make monthly payments of principal and interest for the remaining loan term, and payments will be substantially higher than the interest-only payments. During the interest-only period, the total interest that the borrower will be obligated to pay will vary based on the amount of principal paid down, if any. If a borrower makes just an interest-only payment, and no payment of principal, the total interest payable by the borrower during the interest-only period will be greater than the total interest that a borrower would be obligated to pay on a traditional loan of the same interest rate having principal-and-interest payments. In making comparisons between an interest-only loan and a traditional loan, borrowers should carefully review the terms and conditions of the various loan products available and weigh the relative merits of each type of loan product appropriately. The interest rate and payments on an adjustable rate mortgage ("ARM") loan may increase over the life of a loan as interest is fixed for a specified period and then will adjust periodically thereafter. The annual percentage rate may increase after consummation of the loan.

3/6M, 5/6M, 7/6M, 10/6M adjustable rate mortgage ("ARM") loans are based on the Secured Overnight Financing Rate ("SOFR") 30-Day Average.

Relationship-based pricing offered by Morgan Stanley Private Bank, National Association is based on the value of clients', or their immediate family members' (i.e., grandparents, parents, and children) eligible assets (collectively "Household Assets") held within accounts at Morgan Stanley Smith Barney LLC. To be eligible for relationship-based pricing, Household Assets must be maintained within appropriate eligible accounts prior to the closing date of the residential mortgage loan. Relationship-based pricing is not available on conforming loans.

The Morgan Stanley Debit Card is issued by Morgan Stanley Private Bank, National Association pursuant to a license from Mastercard International Incorporated. Mastercard and Maestro are registered trademarks of Mastercard International Incorporated. The third-party trademarks and service marks contained herein are the property of their respective owners. Investments and services offered through Morgan Stanley Smith Barney LLC, Member SIPC.

Cash management and lending products and services are provided by Morgan Stanley Smith Barney LLC, Morgan Stanley Private Bank, National Association or Morgan Stanley Bank, N.A, as applicable.

Morgan Stanley Private Bank, National Association or Morgan Stanley Bank, N.A, each a national bank, Member FDIC.

The information provided herein is not intended to address any particular matter and may not apply depending on the context, as all clients' circumstances are unique.

Morgan Stanley Smith Barney LLC is a registered Broker/Dealer, Member SIPC, and not a bank. Where appropriate, Morgan Stanley Smith Barney LLC has entered into arrangements with banks and other third parties to assist in offering certain banking related products and services.

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

The trust services referenced herein are provided by the third parties listed who are not affiliated with Morgan Stanley. Neither Morgan Stanley nor its affiliates are the provider of such trust services and will not have any input or responsibility concerning a client's eligibility for, or the terms and conditions associated with these trust services. Neither Morgan Stanley nor its affiliates shall be responsible for content of any advice or services provided by the unaffiliated third parties listed herein. Morgan Stanley or its affiliates may participate in transactions on a basis separate from the referral of clients to these third parties and may receive compensation in connection with referrals made to them.

Trusts are not necessarily appropriate for all clients. There are risks and considerations which may outweigh any potential benefits. Establishing a trust will incur fees and expenses which may be substantial. Trusts often incur ongoing administrative fees and expenses such as the services of a corporate trustee or tax professional.

The Portfolio Analysis report ("Report") is generated by Morgan Stanley Smith Barney LLC's ("Morgan Stanley") Portfolio Risk Platform. The assumptions used in the Report incorporate portfolio risk and scenario analysis employed by BlackRock Solutions ("BRS"), a financial technology and risk analytics provider that is independent of Morgan Stanley. BRS' role is limited to providing risk analytics to Morgan Stanley, and BRS is not acting as a broker-dealer or investment adviser nor does it provide investment advice with respect to the Report. Morgan Stanley has validated and adopted the analytical conclusions of these risk models.

Any recommendations regarding external accounts/holdings are asset allocation only and do not include security recommendations. Transitioning from a brokerage to an advisory relationship may not be appropriate for some clients.

IMPORTANT: The projections or other information provided in the Report regarding the likelihood of various investment outcomes (including any assumed rates of return and income) are hypothetical in nature, do not reflect actual investment results, and are not guarantees of future results. Hypothetical investment results have inherent limitations.

- There are frequently large differences between hypothetical and actual results.
- Hypothetical results do not represent actual results and are generally designed with the benefit of hindsight.
- They cannot account for all factors associated with risk, including the impact of financial risk in actual trading or the ability to withstand losses or to adhere to a particular trading strategy in the face of trading losses.
- There are numerous other factors related to the markets in general or to the implementation of any specific strategy that cannot be fully accounted for in the preparation of hypothetical risk results and all of which can adversely affect actual performance.

Morgan Stanley cannot give any assurances that any estimates, assumptions or other aspects of the risk analyses will prove correct. They are subject to actual known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those shown in a Report. The information is as of the date of the Report or as otherwise noted within the Report. Morgan Stanley expressly disclaims any obligation or undertaking to update or revise any statement or other information contained in a Report to reflect any change in past results, future expectations or circumstances upon which that statement or other information is based.

The Platinum Card® from American Express exclusively for Morgan Stanley is issued by American Express National Bank, not Morgan Stanley Smith Barney LLC. Services and rewards for the Cards are provided by either Morgan Stanley Smith Barney LLC, American Express, or other third parties. Restrictions and other limitations apply. See the terms and conditions for the Cards for details. Clients are urged to review fully before applying. Morgan Stanley, its affiliates and Morgan Stanley Financial Advisors and employees are not in the business of providing tax or legal advice. Clients should speak with their tax advisor regarding the potential tax implications of the Rewards Program upon their specific circumstances. The Platinum Card® from American Express Exclusively for Morgan Stanley is issued by American Express National Bank. ©2022 American Express National Bank.

To be eligible to earn the 60,000 Membership Rewards® points, you must be enrolled in the Membership Rewards program at the time of eligible purchase. 60,000 Membership Rewards points will be credited to your account after you charge a total of \$5,000 (the "Threshold Amount") or more of eligible purchases on your Platinum Card from American Express within the first 3 months of Platinum Card Membership. Eligible purchases can be made by the Basic Card Member and any Additional Card Members on a single Card account. Eligible purchases are purchases for goods and services minus returns and other credits. Eligible purchases to meet the Threshold Amount do NOT include fees or interest charges, purchases of travelers' checks, purchases or reloading of prepaid cards, purchases of gift cards, person-to-person payments, or purchases of other cash equivalents. Additional terms and restrictions apply. Points will be credited to your Membership Rewards account within 8–12 weeks after the last eligible purchase you made to meet the Threshold Amount appears on your monthly billing statement. If you have any questions regarding this offer, please call the number on the back of your Card. If we in our sole discretion determine that you have engaged in abuse, misuse, or gaming in connection with the welcome offer in any way or that you intend to do so (for example, if you applied for one or more cards to obtain a welcome offer(s) that we did not intend for you; if you cancel or downgrade your account within 12 months after acquiring it; or if you cancel or return purchases you made to meet the Threshold Amount), we may not credit the 60,000 Membership Rewards points to, we may freeze the 60,000 Membership Rewards points credited to, or we may take

away the 60,000 Membership Rewards points from your account. We may also cancel this Card account and other Card accounts you may have with us. Your Card account must not be canceled or past due at the time of fulfillment of any offers. You can earn 60,000 Membership Rewards points after spending \$5,000 starting from the date your account is approved. In rare instances, your period to spend \$5,000 may be shorter than 3 months if there is a delay in receiving your Card. Also, purchases may fall outside of the 3 month period in some cases, such as a delay in merchants submitting transactions to us or if the purchase date differs from the date you made the transaction. (For example, if you buy goods online, the purchase date may be the date the goods are shipped.) Terms and Conditions for the Membership Rewards® program apply. Visit membershiprewards.com/terms for more information. Participating partners and available rewards are subject to change without notice. The value of Membership Rewards points varies according to how you choose to use them. To learn more, go to www.membershiprewards.com/pointsinfo. American Express reserves the right to modify or revoke offer at any time. The Morgan Stanley Cards from American Express are issued by American Express bank, not Morgan Stanley Smith Barney LLC. Services and rewards for the Cards are provided by Morgan Stanley Smith Barney LLC, American Express or other third parties. Restrictions and other limitations apply. See the terms and conditions for the Cards for details. Clients are urged to review fully before applying. Morgan Stanley, its affiliates and Morgan Stanley Financial Advisors and employees are not in the business of providing tax or legal advice. Clients should speak with their tax advisor regarding the potential tax implications of the Rewards Program upon their specific circumstances.

American Express may share information about your Card Account with Morgan Stanley in support of Morgan Stanley programs and services. For information as to how Morgan Stanley will use your Card Account data please visit http://www.morganstanley.com/wealth/investmentsolutions/pdfs/adv/mssb_privacynotice.pdf.

You will get one point for each dollar charged for an eligible purchase on your Platinum Card® from American Express. You will get 4 additional points (for a total of 5 points) for each dollar spent on eligible travel purchases made on amextravel.com. Eligible travel purchases include the following purchases made on amextravel.com: scheduled flights, prepaid hotel purchases (including hotels and flight+hotel packages), minus returns and other credits. Eligible travel purchases do NOT include non-prepaid hotel bookings, car rentals and cruises, hotel group reservations or events, ticketing service, cancellation or other fees, interest charges, purchases of travelers checks, purchases or reloading of prepaid cards, or purchases of other cash equivalents. To be eligible for the 5x Membership Rewards® points, you must both reserve and charge the travel purchase with the same eligible Platinum Card®. To modify a reservation, you must cancel and rebook your reservation. You can cancel and rebook your reservation on amextravel.com or by calling a representative of amextravel.com at 1-800-297-2977.

Cancellations are subject to hotel cancellation policies. If hotel reservations are made or modified directly with the hotel provider, the reservation will not be eligible for this 5X Membership Rewards® point benefit. Bonuses you may receive with your Card on other purchase categories or in connection with promotions or offers from American Express may not be combined with this benefit. Merchants are assigned codes based on what they primarily sell. A purchase will not qualify for additional points if the merchant's code is not eligible. The benefits associated with the Additional Card(s) you choose may be different than the benefits associated with your basic Card.

Your Platinum Card® from American Express will get 4 additional points (for a total of 5 points) on the first \$500,000 on eligible air purchases of scheduled flights made directly with a passenger airline or through American Express Travel (via the phone by calling 1-800-525-3355 or online via amextravel.com) per calendar year. See membershiprewards.com/terms for the Membership Rewards program terms

Obtain one (1) Additional Platinum Card for no additional annual fee. You can get up to the next three (3) Additional Platinum Cards for a total annual fee of \$175. Then, each Additional Platinum Card can be obtained for an annual fee of \$175. There is no annual fee for Additional Gold Cards. Additional Card Members must be at least 13 years of age and never have had a defaulted account with American Express.

The Centurion® Lounge: Morgan Stanley Platinum Card Members have unlimited complimentary access to all locations of The Centurion Lounge. Gold Card and Green Card Additional Cards on your Morgan Stanley Platinum Card account are not eligible for complimentary access. Card Members may bring up to two (2) companions into The Centurion Lounge. To access The Centurion Lounge, the Card Member must present The Centurion Lounge agent with the following upon each visit: his or her valid Card, a boarding pass showing a confirmed reservation for same-day travel on any carrier and a government issued I.D. Failure to present this documentation may result in access being denied. Card Members will not be compensated for changes in locations, rates or policies. A Card Member must be at least 18 years of age to enter without a parent or legal guardian. For locations with a self-service bar, the Card Member must be of legal drinking age in the location's jurisdiction to enter without a parent or legal guardian. Must be of legal drinking age to consume alcoholic beverages. Please drink responsibly. American Express reserves the right to remove any person from the Lounge for inappropriate behavior or failure to adhere to rules, including, but not limited to, conduct that is disruptive, abusive or violent. Access is subject to space availability. Hours may vary by location and are subject to change. Amenities vary among The Centurion Lounge locations and are subject to change. Services and amenities in the Lounge are complimentary, however you are responsible for any purchases and/or servicing charges you authorize our Member Services Professionals to perform on your behalf. Some American Express Cards are not eligible for all services provided by Member Services Desk. American Express will not be liable for any articles lost or stolen or damages suffered by the purchaser or visitor inside The Centurion Lounge. Use of The Centurion Lounge is subject to all rules and conditions set by American Express. American Express reserves the right to revise the rules at any time without notice.

Basic Card Members on a Consumer Platinum Card or Centurion account are eligible for Uber VIP and the monthly Amex Benefit ("Amex Benefit"). Additional Centurion Cards are also eligible for the Amex Benefit. To receive this benefit, you must have downloaded the Uber App version 3.363.10000 or later for iOS or version 4.274.10000 or later for Android and your eligible Platinum Card or Centurion Card must be a method of payment in your Uber account. If you are assigned a new Card number, you must update your method of payment in your Uber account. Cards added to your Uber account through a third party such as Apple Pay or PayPal will not be eligible. An eligible Platinum Card or Centurion Card may receive this benefit on one Uber account. If the same Card is added to multiple Uber accounts, only the first Uber account to which the Card is added will receive the benefit. It takes up to 24 hours for the Amex Benefit to be available in Uber Cash after your eligible Card has been added to your Uber account. Uber VIP is available in select cities and is governed by Uber's terms and conditions. The monthly Amex Benefit is found within your Uber Cash balance. In order to use the Amex Benefit, Uber Cash must be turned on. If Uber Cash is turned on when you request a ride, Uber Cash will appear above the confirmation button. If Uber Cash does not appear above the confirmation button, tap on the current payment option and turn on Uber Cash. The Amex Benefit may be applied to all Uber car types and on Uber Eats orders where Uber Cash can be applied. If your Amex Benefit in your Uber Cash balance does not satisfy the cost of your ride or order, the primary payment method on your Uber account will be charged for the difference. The Amex Benefit will not apply to previous Uber transactions and cannot be used when paying with an uberFAMILY profile. New and existing Uber users are eligible. Uber will apply the Amex Benefit at the point of sale and it will be displayed on your email receipt. There is no limit to the number of transactions you may apply your Amex Benefit to each month, up to a total of \$15 per month (up to a total of \$35 in December). The Amex Benefit in Uber Cash may only be applied within the United States. Your monthly Amex Benefit expires at 11:59 PM Hawaii Standard Time on the last day of each month. Unused balance in Uber Cash from your Amex Benefit will not carry over to the following month. Your Amex Benefit will be applied for the month in which the transaction is completed. If a transaction is eligible for another promotion that you have added to your Uber account, the promotion will be applied before your Amex Benefit. Certain other types of balances in Uber Cash may be applied to the cost of your ride or order prior to your Amex Benefit in Uber Cash. For purposes of fulfilling upon this benefit, American Express will share with Uber certain information about your Card, including the Card type, and updated Card information from time to time. If you do not wish to participate in this program, please call the number on the back of your Card. If you do not see the Amex Benefit in Uber Cash by 5:00 PM Hawaii Standard Time on first of the month, simply call the number on the back of your Card.

The CashPlus Account is a brokerage account offered through Morgan Stanley Smith Barney LLC. Conditions and restrictions apply. Please refer to the CashPlus Account Disclosure Statement at <https://www.morganstanley.com/wealthdisclosures/cashplusaccountdisclosurestatement.pdf>.

\$550 Annual Engagement Bonus for Platinum CashPlus accounts may be received if 1) you are the Basic Card Member of the Platinum Card from American Express Exclusively for Morgan Stanley (the Basic Card Member is defined as the primary account holder); or 2) you spend at least \$100,000 during the calendar year across Morgan Stanley Debit Cards associated with Platinum CashPlus Accounts in your ALG. Each ALG is only eligible for one bonus per calendar year. For more information please refer to the CashPlus Account Disclosure Statement.

The qualifying criteria to avoid the monthly account fee for all CashPlus Accounts in an Account Link Group (ALG) is: an additional eligible Morgan Stanley investment account (that may include additional fees), one Morgan Stanley Online enrollment; for Premier CashPlus account \$2,500 monthly deposit or \$25,000 Average BDP Daily Balance; for Platinum CashPlus account \$5,000 monthly deposit and \$25,000 Average BDP Daily Balance. For more information, please refer to the CashPlus Account Disclosure Statement at <https://www.morganstanley.com/wealth-disclosures/cashplusaccountdisclosurestatement.pdf>.

The qualifying criteria to avoid the monthly account fee for all CashPlus Accounts in an Account Link Group (ALG) is: an additional eligible Morgan Stanley investment account (that may include additional fees), one Morgan Stanley Online enrollment; for Premier CashPlus account \$2,500 monthly deposit or \$25,000 Average BDP Daily Balance; for Platinum CashPlus account \$5,000 monthly deposit and \$25,000 Average BDP Daily Balance. For more information, please refer to the CashPlus Account Disclosure Statement at <https://www.morganstanley.com/wealth-disclosures/cashplusaccountdisclosurestatement.pdf>.

CashPlus Accounts receive SIPC coverage for securities and free credit balances and cash swept into the Bank Deposit Program receives FDIC insurance, both up to applicable limits.

Securities Investor Protection Corporation ("SIPC") — Morgan Stanley Smith Barney LLC is a member of SIPC, which protects securities of its customers up to \$500,000 (including \$250,000 for claims for cash). Losses due to market fluctuation are not protected by SIPC. To obtain information about SIPC, including an explanatory SIPC brochure, contact SIPC at 1-202-371-8300 or visit www.sipc.org

Federal Deposit Insurance Corporation ("FDIC") — Cash balances swept into deposit accounts at participating banks in the Bank Deposit Program are protected by FDIC Insurance up to applicable FDIC limits. FDIC insurance is a federal government program administered by the Federal Deposit Insurance Corporation. This insurance covers bank deposits held in checking accounts, savings accounts, certificates of deposits and money market deposits (not money market funds). This insurance comes into play in the event of a bank failure and covers client cash up to a total of \$250,000 per bank, for each "insurable capacity" (e.g. each individual, joint, etc.). It does not cover investment products that are not deposits, such as mutual funds, annuities, life insurance policies, stocks or bonds. Refer to

<https://www.fdic.gov> for additional details.

The Active Assets Account is a brokerage account offered through Morgan Stanley Smith Barney LLC. Under the Bank Deposit Program, generally cash balances held in an account(s) at Morgan Stanley Smith Barney LLC are automatically deposited into an interest-bearing FDIC-insured deposit account(s) at Morgan Stanley Bank, N.A. and/or Morgan Stanley Private Bank, National Association, each a national bank, member FDIC, and an affiliate of Morgan Stanley Smith Barney LLC. Detailed information on federal deposit insurance coverage is available on the FDIC's website (<https://www.fdic.gov/deposit/deposits/>).

Under the Preferred Savings program ("Preferred Savings"), Morgan Stanley Smith Barney LLC makes available interest-bearing FDIC-insured deposit account(s) at Morgan Stanley Private Bank, National Association, a national bank, Member FDIC, and an affiliate of Morgan Stanley Smith Barney LLC. Deposits placed in Preferred Savings are eligible for FDIC insurance up to \$250,000 (including principal and interest) per depositor for all deposits held in the same insurable capacity (the Maximum Applicable Deposit Insurance Amount). All deposits held in the same insurable capacity will be aggregated for purposes of the Maximum Applicable Deposit Insurance Amount, including deposits maintained through the Bank Deposit Program. The client is responsible for monitoring the total amount held with the bank. The bank also reserves the right to offer promotional rates from time to time. Detailed information on federal deposit insurance coverage is available on the FDIC's website (<https://www.fdic.gov/deposit/deposits/>). The Preferred Savings program is not intended for clients who need to have frequent access to funds and those funds will not be automatically accessed to reduce a debit or margin loan in your brokerage account. Withdrawals from an account in Preferred Savings are limited to 10 transactions per calendar month, and any withdrawal or transfer over the limit in any one calendar month will be subject to an excess withdrawal fee.

Reserved clients are eligible for unlimited ATM fee rebates and Non-Reserved clients are eligible for up to \$200 in annual ATM fee rebates per calendar year. CashPlus clients receive unlimited ATM fee rebates worldwide. Daily withdrawal limits of \$1,500 to \$5,000 for ATMs and \$25,000 to \$50,000 for teller cash advances, depending upon tier. Unlike ATM fees that are rebated, Morgan Stanley will not reimburse fees that banks may charge for Debit Card cash advances.

While Morgan Stanley will always make transferred and deposited funds available immediately for investment purposes, we may not make all transferred or deposited funds immediately available for withdrawal. Funds deposited by check or funds transfer may be delayed depending on certain circumstances, such as dollar value, account status, etc., and could be held for up to six business days. Please contact your Financial Advisor or Private Wealth Advisor for additional information and/or review the Fund Availability Policy by signing into your Morgan Stanley Online account.

To review the Bank Deposit Program Disclosure Statement refer to https://www.morganstanley.com/wealth-investmentstrategies/pdf/BDP_disclosure.pdf

Mastercard benefits and full Debit Card terms and conditions can be found at <https://www.morganstanley.com/wealth/services/pdfs/debitcardstc.pdf>.

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Avg Credit Rating is calculated by using the credit rating for each security in the account, as determined by one or more Nationally Recognized Statistical Rating Organizations (NRSRO), and applying the individual security's weight in the account to determine the average for the account. Avg Credit Rating has not been provided by an NRSRO, nor has the account been reviewed by an NRSRO.

IMPORTANT INFORMATION

Information contained herein has been obtained from sources considered to be reliable, but we do not guarantee their accuracy or completeness.

Interest in municipal bonds is generally exempt from federal income tax. However, some bonds may be subject to the alternative minimum tax (AMT). Typically, state tax-exemption applies if securities are issued within one's state of residence and, local tax-exemption typically applies if securities are issued within one's city of residence. The tax exempt status of municipal securities may be changed by legislative process, which could affect their value and marketability.

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

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Barclay's Index criteria:

Municipal indices: To be included in the index, bonds must be rated investment-grade (Baa3/BBB- or higher) by at least two of the following ratings agencies: Moody's, S&P, Fitch. If only two of the three agencies rate the security, the lower rating is used to determine index eligibility. If only one of the three agencies rates a security, the rating must be investment-grade. They must have an outstanding par value of at least \$7 million and be issued as part of a transaction of at least \$75 million. The bonds must be fixed rate, have a dated-date after December 31, 1990, and must be at least one year from their maturity date. Remarketed issues, taxable municipal bonds, bonds with floating rates, and derivatives, are excluded from the benchmark.

Municipal Bond: Muni Short (1-5) is the 1-5 year component of the Municipal Bond index.

Municipal Bond: Muni Inter-Short (1-10) is the 1-10 year component of the Municipal Bond index.

Municipal Bond: Muni Long Bond (22+) is the component of the Municipal Bond index with at least 22 year maturities.

1-5 Year Credit is the 1-5 year component of the U.S. Credit index.

Intermediate Credit is the component of the U.S. Credit index with a maturity from 1 up to (but not including) 10 years.

Long Credit is the component of the U.S. Credit index with a maturity of at least 10 years.

Credit indices: Publicly issued U.S. corporate and specified foreign debentures and secured notes that meet the specified maturity, liquidity, and quality requirements. The index includes both corporate and non-corporate sectors. The corporate sectors are Industrial, Utility, and Finance, which include both U.S. and non-U.S. corporations. The non-corporate sectors are Sovereign, Supranational, Foreign Agency, and Foreign Local Government.

Inclusion criteria:

- Subordinated issues, provided that other specified criteria are met.
- Securities with normal call and put provisions and sinking funds.
- Medium-term notes (if they are publicly underwritten).
- 144A securities (if they have registration rights).
- Global issues that are SEC-registered.
- Must have at least one year to final maturity regardless of call features.
- Must have at least \$250 million par amount outstanding.
- Must be rated investment-grade (Baa3/BBB- or higher) by at least two of the following ratings agencies: Moody's, S&P, Fitch. If only two of the three agencies rate the security, the lower rating is used to determine index eligibility. If only one of the three agencies rates a security, the rating must be investment-grade.

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Inclusion criteria (continued):

- Must be fixed rate, although it can carry a coupon that steps up or changes according to a predetermined schedule.
- Must be dollar-denominated and non-convertible.
- Must be publicly issued.

Exclusion criteria:

- Structured notes with embedded swaps or other special features.
- Private placements, floating rate securities, and Eurobonds.

Bloomberg Unemployment & Employment Indices:

Unemployment (USURTOT): US Unemployment Rate Total in Labor Force Seasonally Adjusted. The unemployment rate tracks the number of unemployed persons as a percentage of the labor force (the total number of employed plus unemployed). These figures generally come from a household labor force survey.

Employment (USERTOT): US Employment Population Ratio Total in Labor Force Seasonally Adjusted. The employment ratio (also referred to as the employment rate) represents persons in employment as a percentage of the working age population.

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

Any trade or cash balance information contained herein is being made available to you at your specific request and is not an official confirmation of terms, trading activity, positions or balances, and shall not be deemed conclusive and binding. To the extent that there are differences between your official portfolio statement and this information, your official portfolio statement will prevail. Unless it contains trade data specific to you, its contents are based on or derived from information generally available from the public from sources we believe to be reliable. No representation is made that it is accurate or complete or that any returns will be achieved. This information has been provided solely for your own internal use and information purposes without regard to your specific objectives, financial situation and needs.

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INVESTMENT DECISIONS: Do not use this report as the sole basis for investment decisions. Do not select an allocation, investment disciplines or investment managers/funds based on performance alone. Consider, in addition to performance results, other relevant information about each investment manager or fund, as well as matters such as your investment objectives, risk tolerance and investment time horizon.

SOURCE OF PERFORMANCE INFORMATION FOR INVESTMENT MANAGERS AVAILABLE IN CONSULTING AND EVALUATION SERVICES, FIDUCIARY SERVICES OR SELECT UMA: Each investment manager included in this report that participates in one or more of the Consulting and Evaluation Services, Fiduciary Services or Select UMA programs ("Programs") has a track record of investing assets in the relevant investment discipline. The investment manager's gross performance track record shown in this report consists of its gross performance in either the Morgan Stanley or the Smith Barney form of the Fiduciary Services program (if that investment manager is in the Fiduciary Services program) for periods for which sufficient data is available. If the strategy or similar strategies are available in both the Morgan Stanley and Smith Barney forms of the program, this profile presents the composite for the strategy that is closest to the strategy currently offered in the Fiduciary Services program. If both strategies are equally close, the profile shows the longer of the two composites. For other periods, the gross performance track record is provided by the investment manager and consists of accounts managed by the investment manager in the same or a similar investment discipline, whether at Morgan Stanley or elsewhere (and may include institutional accounts, retail accounts and/or pooled investment vehicles such as mutual funds).

There may be differences between the performance in the different forms of the Fiduciary Services program, in different Programs, and between the performance in Programs and performance outside the Programs, due to, among other things, investment and operational differences. For example:

- Institutional accounts included in related performance may hold more securities than the Program accounts, participate in initial public offerings (IPOs) and invest directly in foreign securities (rather than in ADRs).
- Mutual funds included in related performance may hold more securities than the Program accounts, may participate in IPOs, may engage in options and futures transactions, and are subject to certain regulatory limitations.
- Performance results in Select UMA accounts could differ from that in Fiduciary Services accounts because Select UMA accounts may hold fewer securities, and have automatic rebalancing, wash sale loss and tax harvesting features.

You should read the investment manager profile accompanying this report for each investment manager. The investment manager profile gives further details on the sources of performance information for a particular investment manager, as well as other calculations of the manager's performance returns (such as performance net of fees and expenses).

SOURCE OF PERFORMANCE INFORMATION FOR GLOBAL INVESTMENT SOLUTION STRATEGIES: In the Global Investment Solutions program, dedicated portfolio managers employed by Morgan Stanley or third party subadvisors make day-to-day investment decisions for clients' accounts invested in various investment strategies. The track record shown in this report for Global Investment Solutions strategies consists of the portfolio management team's gross performance in that strategy in the Global Investment Solutions program (or a predecessor program).

SOURCE OF PERFORMANCE INFORMATION FOR OTHER INVESTMENT MANAGERS: For any investment managers shown in this report that are not available in the Consulting and Evaluation Services, Fiduciary Services or Select UMA programs, the performance data is obtained from databases maintained by parties outside Morgan Stanley. This data has been included for your information, and has not been verified by Morgan Stanley in any way. See "Sources of Information" below. The gross performance shown in this report for these managers could differ materially from their gross performance in investment advisory programs offered by firms other than Morgan Stanley. If you have invested with any such manager through another firm, we recommend that you seek information from that firm on the manager's gross and net performance in its programs.

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BENCHMARK INDICES: Depending on the composition of your account and your investment objectives, the indices shown in this report may not be appropriate measures for comparison purposes and are therefore presented for illustration only. The indices used in this report may not be the same indices used for comparative purposes in the profile for each investment manager, mutual fund and/or ETF that accompanies this report. Indices are unmanaged. They do not reflect any management, custody, transaction or other expenses, and generally assume reinvestment of dividends, accrued income and capital gains. Performance of selected indices may be more or less volatile than that of any investment manager/fund shown in this report. Past performance of indices does not guarantee future results. You cannot invest directly in an index.

MANAGERS AND FUNDS APPROVED IN MORGAN STANLEY WEALTH MANAGEMENT PROGRAMS: Morgan Stanley Wealth Management approves certain managers and funds offered in its investment advisory programs:

- Morgan Stanley Wealth Management's Global Investment Manager Analysis (“GIMA”) team approves managers and funds offered in Consulting and Evaluation Services, Fiduciary Services, and Select UMA.
- Managers and funds offered in Institutional Consulting Group and Graystone Consulting programs may be approved by GIMA, approved by Morgan Stanley Wealth Management using another process, or not approved by Morgan Stanley Wealth Management.
- Morgan Stanley Wealth Management does not approve managers in the Investment Management Services consulting program.
- Managers in the Global Investment Solutions (GIS) program are not evaluated by GIMA.

KEY ASSET CLASS RISK CONSIDERATIONS: Investing in securities entails risk including the risk of losing principal. There is no assurance that the investment disciplines and investment managers/funds selected will meet their intended objectives.

Commodities – Diversified: The commodities markets may fluctuate widely based on a variety of factors including changes in supply and demand relationships; governmental programs and policies; national and international political and economic events; war and terrorist events; changes in interest and exchange rates; trading activities in commodities and related contracts; pestilence; weather; technological change; and the price volatility of a commodity. In addition to commodity risk, commodity-linked notes may be subject to special risks, such as risk of loss of interest and principal, lack of a secondary market and risk of greater volatility that do not affect traditional equity and debt securities.

Commodities - Precious Metals: The prices of Commodities - Precious Metals tend to fluctuate widely and in an unpredictable manner, and have historically experienced extended periods of flat or declining prices. The prices of Commodities - Precious Metals are affected by several factors, including global supply and demand, investors' expectations with respect to the rate of inflation, currency exchange rates, interest rates, investment and trading activities of hedge funds and commodity funds, and global or regional political, economic or financial events and situations.

Fixed Income: Fixed income securities are subject to certain inherent risks such as credit risk, reinvestment risk, call risk, and interest rate risk. Fixed income securities are sensitive to changes in prevailing interest rates. When interest rates rise, the value of fixed income securities generally declines. Accordingly, managers or funds that invest in fixed income securities are subject to interest rate risk and portfolio values can decline in value as interest rates rise and an investor can lose principal.

High Yield Fixed Income: As well as being subject to risks relating to fixed income generally (see “Fixed Income”), high yield or “junk” bonds are considered speculative, have significantly higher credit and default risks (including loss of principal), and may be less liquid and more volatile than investment grade bonds. Clients should only invest in high yield strategies if this is consistent with their risk tolerance, and high yield investments should comprise only a limited part of a balanced portfolio.

International/Emerging Market: International investing (including investing in particular countries or groups of countries) should be considered only one component of a complete and diversified investment program. Investing in foreign markets may entail greater risks than those normally associated with domestic markets, such as foreign political, currency, economic and market risks. In addition, the securities markets of many emerging markets are substantially smaller, less developed, less liquid and more volatile than the securities markets of the U.S. and other more developed countries. Further, a portfolio that focuses on a single country may be subject to higher volatility than one that is more diversified.

Preferred Securities: Preferred securities are generally subject to the same risks as apply to fixed income securities. (See “Fixed Income.”) However, preferred securities (especially equity preferred securities) may rank below traditional forms of debt for the purposes of repayment in the event of bankruptcy. Many preferred securities are “callable” meaning that the issuer may retire the securities at specific prices and dates prior to maturity. If a preferred security is called, the investor bears the risk of reinvesting proceeds at a potentially lower return. Investors may not receive regular distributions on preferred securities. For example, dividends on equity preferred securities may only be declarable in the discretion of the issuer's board and may not be cumulative. Similarly, interest payments on certain debt preferred securities may be deferred by the issuer for periods of up to 10 years or more, in which case the investor would still have income tax liability even though payments would not have been received.

Real Estate: Real estate investments are subject to special risks, including interest rate and property value fluctuations as well as risks related to general and local conditions.

Small and Mid Cap: Investments in small-to medium-sized corporations are generally more vulnerable to financial risks and other risks than larger corporations and may involve a higher degree of price volatility than investments in the broad equity market.

Hedged and Alternatives Strategies: In most Consulting Group investment advisory program, alternative investments are limited to US registered open-end mutual funds, separate account strategies, and 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 suitable for all investors.

Managed Futures: Involve a high degree of risk, often involve leveraging and other speculative investment practices that may increase the risk of investment loss, can be highly illiquid, are not required to provide periodic pricing or valuation information to investors, may involve complex tax structures and delays in distributing important tax information, are not subject to the same regulatory requirements as mutual funds, often charge high fees which may offset any trading profits, and in many cases the underlying investments are not transparent and are known only to the investment manager.

Master Limited Partnerships (MLPs) are limited partnerships or limited liability companies whose interests (limited partnership or limited liability company units) are generally traded on securities exchanges like shares of common stock. Investment in MLPs entails different risks, including tax risks, than is the case for other types of investments. Currently, most MLPs operate in the energy, natural resources or real estate sectors and are subject to the risks generally applicable to companies in those sectors, including commodity pricing risk, supply and demand risk, depletion risk and exploration risk. Depending on the ownership vehicle, MLP interests are subject to varying tax treatment.

ALPHA: Synonym of 'value added', linearly similar to the way beta is computed, alpha is the incremental return on a portfolio when the market is stationary. In other words, it is the extra expected return due to non-market factors. This risk-adjusted measurement takes into account both the performance of the market as a whole and the volatility of the portfolio. A positive alpha indicates that a portfolio has produced returns above the expected level at that level of risk, and vice versa for a negative alpha.

ANNUALIZED RETURN: The constant rate of return that, compounded annually, would yield the same overall return for a period of more than one year as the actual return observed for that period.

ANNUALIZED EXCESS RETURN: Excess return represents the difference between the manager's return and the return of a benchmark for that manager. Annualized excess return is calculated by taking the annualized return of the original series and forming the difference between the two. A positive annualized excess return implies that the manager outperformed the benchmark over the time period shown.

BEST AND WORST PERIOD RETURNS: The best period return for a time window is simply the maximum of the returns for that period inside this window. Similarly, the worst period return for a time window is the minimum of the returns for that period inside this window. To calculate the best one-year return for a return series, the program moves a one-year time window along the series and calculates the compound return for each of these windows. The best one-year return is the maximum of the returns thus found. Similarly, the worst one-year return is the minimum of the returns thus found. Therefore, best and worst one-year returns do not refer to calendar years.

BETA: The measure of a portfolio's risk in relation to the market (for example, the S&P 500) or to an alternative benchmark or factors. Roughly speaking, a portfolio with a beta of 1.5 will have moved, on average, 1.5 times the market return. According to asset pricing theory, beta represents the type of risk, systematic risk, which cannot be diversified away. When using beta, there are a number of issues that you need to be aware of: (1) betas may change through time; (2) betas may be different depending on the direction of the market (i.e. betas may be greater for down moves in the market rather than up moves); (3) the estimated beta will be biased if the portfolio does not frequently trade; and (4) the beta is not necessarily a complete measure of risk (you may need multiple betas). Also, note that the beta is a measure of co movement, not volatility. It is possible for a security to have a zero beta and higher volatility than the market.

CORRELATION: Statistical method to measure how closely related the variances of two series are. Assets that are highly correlated would be expected to react in similar ways to changing market conditions.

CUMULATIVE RETURN: The total return on an investment over a specified time period.

CUMULATIVE EXCESS RETURN: Excess return represents the difference between the manager's return and the return of a benchmark for that manager. Cumulative excess return is calculated by taking the cumulative return of the original series and forming the difference between the two. A positive cumulative excess return implies that the manager outperformed the benchmark over the time period shown.

DOWNSIDE CAPTURE RATIO: For each portfolio, this is calculated by (1) identifying the calendar quarters in which the portfolio's benchmark index had negative returns and then (2) for those quarters, dividing the portfolio's annualized net performance by the benchmark index's performance. For investors, the lower the downside capture ratio, the better. For example, a downside capture ratio of 90% means that the portfolio's losses were only 90% of the market's losses (as represented by the benchmark index).

DOWNSIDE DEVIATION: Similar to Standard Deviation, but Downside Deviation captures the range of expected returns only on the down side [when the returns fall below the minimum acceptable return (MAR)].

DRAWDOWN (MAXIMUM DRAWDOWN): The Maximum loss (compounded, not annualized) that the manager incurred during any sub-period of the time period shown.

DRAWDOWN BEGIN DATE: the first date of the sub-period used to calculate the maximum drawdown

DRAWDOWN END DATE: The last date of the sub period used to calculate the maximum drawdown

DRAWDOWN LENGTH: The number of periods (months or quarters depending on the periodicity of the data) the sub-period used to calculate the maximum drawdown

DRAWDOWN RECOVERY DATE: Date at which the compounded returns regain the peak level that was reached before the drawdown began

DRAWDOWN RECOVERY LENGTH: Number of periods it takes to reach the recovery level from maximum drawdown end date

EXCESS RETURN: The difference between the returns of two portfolios. Usually excess return is the difference between a portfolio's return and the return of a benchmark for that portfolio.

GAIN TO LOSS RATIO: Divides the average gain in an up period by the average loss in a down period. A higher Gain to Loss Ratio is more favorable.

HIGH WATER MARK: The High Water Mark represents the peak level of the manager's return, as represented by the peak of the cumulative return series.

HIGH WATER MARK DATE: The date which the High Water Mark was reached.

UNDER WATER LOSS: Loss incurred between the high water mark date and the end of the period analyzed

UNDER WATER LENGTH: Length of the time interval that begins with the high water mark and ends with the analysis period

TO HIGH WATER MARK: The percentage of gain that the manager/fund needs to regain the peak level of the cumulative return series

INFORMATION RATIO: Measures the active return of the manager divided by the manager's active risk. Active return is the annualized differences of the manager and the benchmark index, while active risk is measured by tracking error. The higher the information ratio, the better. An information ratio of 0 implies that a manager/fund (or benchmark index, if applicable) has provided a return that is equivalent to the risk of the benchmark return.

MAR: Stands for "Minimum Acceptable Return." This represents the lowest return possible that could be considered a successful result of the investment. In most cases, the MAR will either be defined as 0 (meaning no negative return) or as the return of a cash benchmark (meaning the investment had a higher return than simply keeping the investment amount in the relatively safe investment of money market funds). Please refer to the specific chart/statistic to see the specific MAR used in the illustration.

MANAGER STYLE (RETURNS BASED STYLE ANALYSIS): A measure for analyzing the style of a portfolio's returns when compared with the quarterly returns on a number of selected style indices (the "Style Basis"). These style indices represent distinct investment styles or asset classes such as large cap value, large cap growth, small cap growth, small cap value, government bonds, or cash equivalents asset classes. Style analysis uses a calculation procedure that finds the combination of selected indices that best tracks (i.e. that has the highest correlation to) a given manager's return series. This allows the advisor to capture an accurate picture of the investment style of the manager without viewing the underlying holdings.

OMEGA: A measure of volatility designed to capture the entire return distribution (useful for investments that do not have normal return distributions), the Omega is tied to a MAR (see above) and shows the ratio of the entire upside performance to the entire downside, with the MAR representing the dividing line between upside and downside. (e.g. If MAR = 0.00%, any positive return is captured in the upside and any negative return is captured in the downside).

PAIN INDEX: Represents the frequency, the depth, and the width of the manager/fund's drawdowns. The Pain Index captures the information for every period in which the manager/fund is negative. A higher Pain Index indicates that the manager/fund had a more negative result when considering not just the depth (lowest return) but also the frequency of negative returns (frequency) and the amount of time that the return remained negative (width).

PAIN RATIO: A risk/return ratio which uses the Pain Index as the measure of risk. The higher the Pain Ratio, the better the risk-adjusted return of the portfolio.

ROLLING WINDOW: Indicates that the chart or statistic was evaluated using periodic smaller windows of data on a rolling basis. As an example, a 20 Quarter Rolling Window (Annual Roll) over a 10 year period indicates that 5 year (20 quarter) periods of time were evaluated from the start date, moving forward one year at a time, for the duration of the 10 year period, resulting in 5 "windows". Evaluating data this way allows us to remove end point bias and determine a measure of consistency in performance.

R-SQUARED: Used to show how much of a portfolio's variability can be accounted for by the market. For example, if a portfolio's R-Squared is 0.79, then 79% of the portfolio's variability is due to market conditions. As R-Squared approaches 100%, the portfolio is more closely correlated with the market.

SHARPE RATIO: Developed by William F. Sharpe, this calculation measures a ratio of return to volatility. It is useful in comparing two portfolios or stocks in terms of risk-adjusted return. The higher the Sharpe Ratio, the better the risk-adjusted return of the portfolio. It is calculated by first subtracting the risk free rate (Citigroup 3-month T-bill) from the return of the portfolio, then dividing by the standard deviation of the portfolio. Using Sharpe ratios to compare and select among investment alternatives can be difficult because the measure of risk (standard deviation) penalizes portfolios for positive upside returns as much as the undesirable downside returns.

SINGLE COMPUTATION: For a single computation chart, StyleADVISOR calculates the information over the entire time period shown as a single data point. AS an example, in a chart showing 10 years of performance, a “Single Computation” would represent the statistic shown over the entire 10 year window.

STANDARD DEVIATION: A statistical measure of the degree to which the performance of a portfolio varies from its average performance during a specified period. The higher the standard deviation, the greater the volatility of the portfolio's performance returns relative to its average return. A portfolio's returns can be expected to fall within plus or minus one standard deviation, relative to its average return, two-thirds of the time, and fall within plus or minus two standard deviations relative to its average return, 95% of the time. For example, if a portfolio had a return of 5% and a standard deviation of 13% then, if future volatility of returns is similar to historical volatility (which may not be the case):

- About two-thirds of the time, the future returns could be expected to fall between -8% and 18% (being 5% +/- 13%)
- About 95% of the time, the future returns could be expected to fall between -21% and 31% (being 5% +/- 26%).

In performance measurement, it is generally assumed that a larger standard deviation means that great risk was taken to achieve the return.

STYLE BASIS: A set of indices that represent the broad asset category being utilized. The Style Basis is used in the equation that calculates the Manager Style (see definition). The “Manager Style” chart shows the specific benchmarks utilized in the Style Basis. The following Style Bases would be appropriate for the asset classes shown below:

- Domestic Equity: Russell Generic Corners; Russell 6 Way Style basis; S&P Pure Style Basis
- International Equity: MSCI Regional Style Basis; MSCI World Ex USA Style Basis; MSCI International Equity Style Basis; S&P Regional International Indexes, S&P International 4 Way Style Basis
- Global Equity: MSCI World Style Basis; MSCI World Regional Indexes; MSCI Global Equity Style Basis
- Fixed income: Citigroup Corporate Bond Indexes; BofA Merrill Lynch Fixed Income Indexes; Citigroup Govt Fixed Income Indexes; Global Bond Indexes

STYLE BENCHMARK: A unique benchmark calculated for each manager/fund based on the Returns Based Style Analysis described above. The “Asset Allocation” chart in Zephyr shows the specific weightings used for the Style Benchmark for each manager or fund.

TRACKING ERROR: A measurement that indicates the standard deviation of the difference between a selected market index and a portfolio’s returns. The portfolio’s returns are then compared to the index’s returns to determine the amount of excess return, which produces a tracking error. A low tracking error indicates that the portfolio is tracking the selected index closely or has roughly the same returns as the index.

UPSIDE CAPTURE RATIO: For each portfolio, this is calculated by (1) identifying the calendar quarters in which the portfolio’s benchmark index had positive returns and then (2) for those quarters, dividing the portfolio’s annualized net performance by the benchmark index’s performance. A percentage less than 100% indicates that the portfolio “captured” less performance than the benchmark index, while a percentage greater than 100% indicates the portfolio captured more performance than the benchmark index. For investors, the higher the upside capture ratio, the better. For example, if the annualized performance of an benchmark index during “up” markets (when its returns were zero or positive) is 20.8% and the portfolio’s annualized performance during the same period is 16.8%, then the portfolio’s upside capture ratio is $16.8\%/20.8\% = 80.7\%$, meaning the portfolio “captured” 80.7% of the upside performance of the index. Stated another way, the portfolio in this example performed almost 20% worse than the market during up periods.

VARIANCE: A measure of how spread out a distribution is. It is computed as the average squared deviation of each number from its mean.

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For index, indicator and survey definitions referenced in this report please visit the following:

<https://www.morganstanley.com/wealth-investmentsolutions/wmir-definitions>

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Financial Performance Review

March 2022

Scott Cleveland for Augustine Lopez
Chief Financial Officer



Consolidated Financial Summary

For the Month of March 2022

Profit/Loss Statement

\$ in Millions	For the Month of March 2022				
			Variance fav (unfav)		
	Actual	Budget	\$VAR	%VAR	
Operating Revenue	\$ 59.7	\$ 54.4	\$ 5.3		9.7%
Operating Expense	\$ 55.0	\$ 53.1	\$ (1.9)		-3.6%
Income from Operations*	\$ 4.7	\$ 1.3	\$ 3.4		261.5%
<i>Operating Margin %</i>	8.0%	2.3%	5.7%		247.83%
Non Operating Income**	\$ (4.1)	\$ 1.1	\$ (5.2)		-472.7%
Net Income	\$ 0.6	\$ 2.4	\$ (1.8)		-75.0%
<i>Net Income Margin %</i>	1.1%	4.3%	-3.2%		-74.4%

Operating Performance highlights*:

- Total Net Revenues were \$5.3M (10%) above budget
- Very strong ER and Outpatient activity for the month
- IP Admissions were above budget by 12% and ADC by 2%
- IP Surgeries were 24% above budget

The above was partially offset by the following:

- The Contract labor was very high at a \$3.0M coupled with high utilization of overtime which was needed to support the high amount of surgical, ER and other outpatient activity and acuity

****Non-operating income** was below budget predominately due to mark-to-market adjustments in investment portfolios.

Consolidated Financial Summary

Year-to-Date March 2022

Profit/Loss Statement

\$ in Millions	FY 2022 YTD March				
			Variance fav (unfav)		
	Actual	Budget	\$VAR	%VAR	
Operating Revenue	\$ 522.3	\$ 473.7	\$ 48.6	10.3%	
Operating Expense	\$ 477.4	\$ 463.5	\$ (13.9)	-3.0%	
Income from Operations*	\$ 44.9	\$ 10.2	\$ 34.7	340.2%	
<i>Operating Margin %</i>	8.6%	2.1%	6.5%	309.5%	
Non Operating Income**	\$ (4.6)	\$ 9.8	\$ (14.4)	-146.9%	
Net Income	\$ 40.3	\$ 20.0	\$ 20.3	101.5%	
<i>Net Income Margin %</i>	7.7%	4.2%	3.5%	83.3%	

*** Income from Operations includes:**

- \$1.9M AB113 Intergovernmental Transfer Payment (FY 20-21)
- <\$1.0M> Medi-Cal Cost Report Final Settlement (FY18)
- \$0.5M AB113 Intergovernmental Transfer Payment (FY 19-20)
- \$3.9M Hospital Quality Assurance Fee (CY 2021)
- \$5.3M Total Normalizing Items, Net**

**** Non Operating Income includes:**

- \$1.1M Doctors on Duty Forgiven Paycheck Protection Program Loan

Consolidated Financial Summary

Year-to-Date March 2022 - Normalized

Profit/Loss Statement

\$ in Millions	FY 2022 YTD March				
			Variance fav (unfav)		
	Actual	Budget	\$VAR	%VAR	
Operating Revenue	\$ 517.1	\$ 473.7	\$ 43.4	9.2%	
Operating Expense	\$ 477.4	\$ 463.5	\$ (13.9)	-3.0%	
Income from Operations	\$ 39.7	\$ 10.2	\$ 29.5	289.2%	
<i>Operating Margin %</i>	7.7%	2.1%	5.6%	266.7%	
Non Operating Income	\$ (5.7)	\$ 9.8	\$ (15.5)	-158.2%	
Net Income	\$ 34.0	\$ 20.0	\$ 14.0	70.0%	
<i>Net Income Margin %</i>	6.6%	4.2%	2.4%	57.1%	

SVMH Financial Highlights March 2022

Gross Revenues were favorable

- **Gross Revenues** were 11% favorable to budget
- **IP gross revenues** were 4% favorable to budget
- **ED gross revenues** were 17% above budget
- **OP gross revenues** were 28% favorable to budget in the following areas:

- Infusion Therapy
- Surgery
- Cardiology
- Radiology
- Other OP Pharmacy
- Other OP Services

- **Commercial:** 5% above budget
- **Medicaid:** 10% above budget
- **Medicare:** 20% above budget

Payor Mix – unfavorable to budget

Total Normalized Net Patient Revenues were \$52.2M, which was favorable to budget by \$6.1M or 13%

Financial Summary – March 2022



1) Higher than expected Inpatient business:

- Average daily census was at 117, 2% above budget of 115

2) Total admissions were 12% (102 admits) above budget

- ER admissions were 11% above budget (73 admits)
- ER admissions (including OB ED) were 82% of total acute admissions

3) ER Outpatient visits were above budget by 33% (955 visits)

4) Inpatient Surgeries cases were 24% (33 cases) above budget predominately in Neurosurgery and Urology

5) Higher than expected Outpatient business:

- Predominantly due to higher than budgeted volumes in Infusion Therapy, Cardiology, Radiology, and Other Outpatient Services



6) Medicare Traditional ALOS CMI adjusted 2% unfavorable at 2.5 days with a Case Mix Index of 1.7

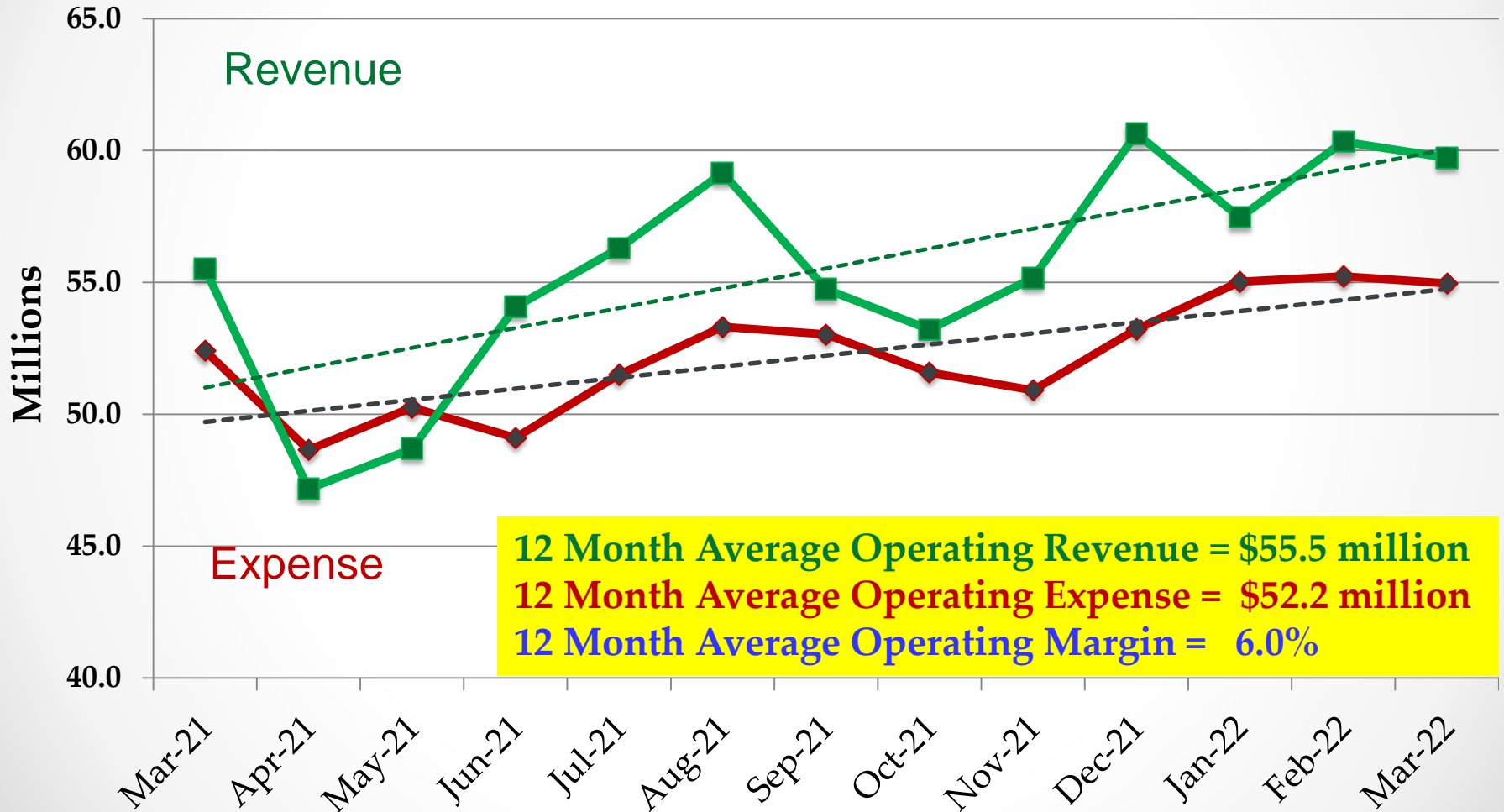
7) Outpatient Surgeries were 7% (21 cases) below budget

8) Deliveries were 16% (23 deliveries) below budget at 121

9) OP Observation cases were 14% (21 cases) above budget at 177

SVMHS Operating Revenues & Expenses (Normalized)

Rolling 12 Months: April 21 to March 22



SVMHS Key Financial Indicators

Statistic	YTD	SVMHS	+/-	S&P A+ Rated	+/-	YTD	+/-
	Mar-22	Target		Hospitals		Mar-21	
Operating Margin*	7.7%	9.0%	Red	4.0%	Green	6.4%	Green
Total Margin*	6.6%	10.8%	Red	6.6%	Green	8.6%	Red
EBITDA Margin**	11.6%	13.4%	Red	13.6%	Red	10.5%	Green
Days of Cash*	350	305	Green	249	Green	344	Green
Days of Accounts Payable*	48	45	Green	-		46	Green
Days of Net Accounts Receivable*	51	45	Red	49	Red	55	Green
Supply Expense as % NPR	12.8%	15.0%	Green	-		12.9%	Green
SWB Expense as % NPR	50.5%	53.0%	Green	53.7%	Green	53.5%	Green
Operating Expense per APD*	6,323	4,992	Red	-		6,248	Yellow

*These metrics have been adjusted for normalizing items

**Metric based on Operating Income (consistent with industry standard)

***Metric based on 90 days average net revenue (consistent with industry standard)

Days of Cash and Accounts Payable metrics have been adjusted to **exclude** accelerated insurance payments (COVID-19 assistance)

QUESTIONS / COMMENTS

SALINAS VALLEY MEMORIAL HOSPITAL
SUMMARY INCOME STATEMENT
March 31, 2022

	<u>Month of March,</u>		<u>Nine months ended March 31,</u>	
	<u>current year</u>	<u>prior year</u>	<u>current year</u>	<u>prior year</u>
Operating revenue:				
Net patient revenue	\$ 52,195,386	\$ 47,429,916	\$ 446,589,519	\$ 435,302,557
Other operating revenue	842,784	870,880	8,667,548	10,855,026
Total operating revenue	<u>53,038,170</u>	<u>48,300,796</u>	<u>455,257,067</u>	<u>446,157,583</u>
Total operating expenses	44,903,757	41,323,854	380,496,960	371,725,173
Total non-operating income	<u>(6,964,782)</u>	<u>(1,866,340)</u>	<u>(33,161,243)</u>	<u>(26,451,935)</u>
Operating and non-operating income	<u>\$ 1,169,631</u>	<u>\$ 5,110,601</u>	<u>\$ 41,598,864</u>	<u>\$ 47,980,475</u>

SALINAS VALLEY MEMORIAL HOSPITAL
 BALANCE SHEETS
 March 31, 2022

	<u>Current year</u>	<u>Prior year</u>
ASSETS:		
Current assets	\$ 422,457,322	\$ 405,963,920
Assets whose use is limited or restricted by board	146,993,729	139,617,493
Capital assets	239,259,178	257,044,327
Other assets	215,462,444	194,234,762
Deferred pension outflows	<u>50,119,236</u>	<u>83,379,890</u>
	<u>\$ 1,074,291,909</u>	<u>\$ 1,080,240,392</u>
LIABILITIES AND EQUITY:		
Current liabilities	124,465,302	145,331,780
Long term liabilities	14,288,063	14,780,904
	83,585,120	126,340,336
Net assets	<u>851,953,424</u>	<u>793,787,372</u>
	<u>\$ 1,074,291,909</u>	<u>\$ 1,080,240,392</u>

**SALINAS VALLEY MEMORIAL HOSPITAL
SCHEDULES OF NET PATIENT REVENUE
March 31, 2022**

	<u>Month of March,</u>		<u>Nine months ended March 31,</u>	
	<u>current year</u>	<u>prior year</u>	<u>current year</u>	<u>prior year</u>
Patient days:				
By payer:				
Medicare	1,904	1,769	15,817	15,372
Medi-Cal	942	944	8,791	9,510
Commercial insurance	750	730	6,803	7,118
Other patient	40	162	931	1,139
Total patient days	<u>3,636</u>	<u>3,605</u>	<u>32,342</u>	<u>33,139</u>
Gross revenue:				
Medicare	\$ 100,544,135	\$ 96,464,718	\$ 830,959,460	\$ 745,058,743
Medi-Cal	60,736,073	54,106,484	501,247,564	478,023,577
Commercial insurance	54,777,161	47,268,300	449,602,841	438,642,073
Other patient	<u>5,841,161</u>	<u>9,020,049</u>	<u>70,672,769</u>	<u>74,375,095</u>
Gross revenue	<u>221,898,530</u>	<u>206,859,551</u>	<u>1,852,482,634</u>	<u>1,736,099,489</u>
Deductions from revenue:				
Administrative adjustment	213,866	258,412	2,641,014	2,953,436
Charity care	227,479	1,618,702	7,404,698	8,746,858
Contractual adjustments:				
Medicare outpatient	31,309,897	29,474,721	244,117,053	217,956,379
Medicare inpatient	43,412,916	41,477,237	366,158,966	335,532,532
Medi-Cal traditional outpatient	3,894,701	2,399,664	26,051,851	18,414,714
Medi-Cal traditional inpatient	6,513,161	5,153,618	55,522,204	66,320,197
Medi-Cal managed care outpatient	23,437,691	20,173,907	194,277,087	161,765,154
Medi-Cal managed care inpatient	20,891,767	20,050,924	166,931,060	165,420,438
Commercial insurance outpatient	18,824,505	16,947,025	146,788,581	139,560,458
Commercial insurance inpatient	17,458,897	17,166,458	156,650,648	144,151,005
Uncollectible accounts expense	4,260,182	3,616,920	33,815,044	31,781,522
Other payors	<u>(741,918)</u>	<u>1,092,047</u>	<u>5,534,909</u>	<u>8,194,239</u>
Deductions from revenue	<u>169,703,144</u>	<u>159,429,636</u>	<u>1,405,893,115</u>	<u>1,300,796,932</u>
Net patient revenue	<u>\$ 52,195,386</u>	<u>\$ 47,429,916</u>	<u>\$ 446,589,519</u>	<u>\$ 435,302,557</u>
Gross billed charges by patient type:				
Inpatient	\$ 113,982,972	\$ 111,767,856	\$ 995,551,261	\$ 966,010,712
Outpatient	81,100,301	74,010,669	619,538,376	581,827,837
Emergency room	<u>26,815,257</u>	<u>21,081,026</u>	<u>237,392,999</u>	<u>188,260,939</u>
Total	<u>\$ 221,898,530</u>	<u>\$ 206,859,551</u>	<u>\$ 1,852,482,636</u>	<u>\$ 1,736,099,489</u>

**SALINAS VALLEY MEMORIAL HOSPITAL
STATEMENTS OF REVENUE AND EXPENSES
March 31, 2022**

	<u>Month of March,</u>		<u>Nine months ended March 31,</u>	
	<u>current year</u>	<u>prior year</u>	<u>current year</u>	<u>prior year</u>
Operating revenue:				
Net patient revenue	\$ 52,195,386	\$ 47,429,916	\$ 446,589,519	\$ 435,302,557
Other operating revenue	842,784	870,880	8,667,548	10,855,026
Total operating revenue	<u>53,038,170</u>	<u>48,300,796</u>	<u>455,257,067</u>	<u>446,157,583</u>
Operating expenses:				
Salaries and wages	16,145,520	15,513,674	139,406,231	142,970,822
Compensated absences	2,420,841	2,509,569	24,182,544	23,575,957
Employee benefits	7,290,572	6,604,461	62,733,382	65,354,877
Supplies, food, and linen	7,116,296	6,064,210	56,907,920	55,792,814
Purchased department functions	3,506,751	3,585,883	30,339,667	28,560,584
Medical fees	1,531,307	1,947,201	16,600,161	15,590,221
Other fees	3,744,593	1,975,660	21,544,447	13,119,636
Depreciation	1,873,914	1,798,937	16,559,159	16,100,727
All other expense	1,273,963	1,324,259	12,223,449	10,659,535
Total operating expenses	<u>44,903,757</u>	<u>41,323,854</u>	<u>380,496,960</u>	<u>371,725,173</u>
Income from operations	<u>8,134,413</u>	<u>6,976,942</u>	<u>74,760,107</u>	<u>74,432,410</u>
Non-operating income:				
Donations	220,220	166,667	1,575,873	2,000,000
Property taxes	333,333	333,333	3,000,000	3,000,000
Investment income	(4,239,802)	(558,512)	(12,145,284)	140,225
Taxes and licenses	0	0	0	0
Income from subsidiaries	(3,278,533)	(1,807,828)	(25,591,832)	(31,592,160)
Total non-operating income	<u>(6,964,782)</u>	<u>(1,866,340)</u>	<u>(33,161,243)</u>	<u>(26,451,935)</u>
Operating and non-operating income	1,169,631	5,110,601	41,598,864	47,980,475
Net assets to begin	<u>850,783,792</u>	<u>788,676,770</u>	<u>810,354,560</u>	<u>745,806,898</u>
Net assets to end	<u>\$ 851,953,424</u>	<u>\$ 793,787,372</u>	<u>\$ 851,953,425</u>	<u>\$ 793,787,372</u>
Net income excluding non-recurring items	\$ 1,169,631	\$ 4,700,157	\$ 35,306,488	\$ 40,199,331
Non-recurring income (expense) from cost report settlements and re-openings and other non-recurring items	<u>0</u>	<u>410,444</u>	<u>6,292,376</u>	<u>7,781,144</u>
Operating and non-operating income	<u>\$ 1,169,631</u>	<u>\$ 5,110,601</u>	<u>\$ 41,598,864</u>	<u>\$ 47,980,475</u>

**SALINAS VALLEY MEMORIAL HOSPITAL
SCHEDULES OF INVESTMENT INCOME
March 31, 2022**

	Month of March,		Nine months ended March 31,	
	current year	prior year	current year	prior year
Detail of other operating income:				
Dietary revenue	\$ 149,349	\$ 133,139	\$ 1,260,824	\$ 1,196,487
Discounts and scrap sale	(1,774)	238,710	1,046,179	755,218
Sale of products and services	93,822	9,523	657,228	179,090
Clinical trial fees	0	56,016	27,700	102,144
Stimulus Funds	0	0	0	0
Rental income	160,131	173,421	1,449,698	1,443,620
Other	441,256	260,071	4,225,919	7,178,467
Total	\$ 842,784	\$ 870,880	\$ 8,667,548	\$ 10,855,026
Detail of investment income:				
Bank and payor interest	\$ 72,742	\$ 155,425	\$ 777,049	\$ 1,070,171
Income from investments	(4,312,768)	(724,438)	(12,609,817)	(968,440)
Gain or loss on property and equipment	225	10,500	(312,516)	38,494
Total	\$ (4,239,802)	\$ (558,512)	\$ (12,145,284)	\$ 140,225
Detail of income from subsidiaries:				
Salinas Valley Medical Center:				
Pulmonary Medicine Center	\$ (244,021)	\$ (254,874)	\$ (1,678,245)	\$ (1,679,829)
Neurological Clinic	(61,897)	42,495	(491,709)	(615,676)
Palliative Care Clinic	(77,236)	(99,836)	(729,112)	(685,930)
Surgery Clinic	(90,377)	(126,805)	(1,104,936)	(1,500,414)
Infectious Disease Clinic	(13,195)	(45,391)	(234,678)	(259,486)
Endocrinology Clinic	(133,400)	(139,673)	(1,124,905)	(1,603,861)
Early Discharge Clinic	0	0	0	0
Cardiology Clinic	(644,457)	(112,628)	(3,891,257)	(4,286,539)
OB/GYN Clinic	(332,399)	(167,826)	(2,861,166)	(3,107,049)
PrimeCare Medical Group	(53,445)	(230,374)	(3,860,502)	(7,667,455)
Oncology Clinic	(725,049)	(261,270)	(2,335,730)	(2,465,264)
Cardiac Surgery	(70,877)	(68,360)	(1,476,004)	(1,465,452)
Sleep Center	(28,146)	18,928	(274,514)	(516,695)
Rheumatology	(42,053)	(102,569)	(483,372)	(454,445)
Precision Ortho MDs	(363,921)	(78,584)	(2,577,110)	(3,285,799)
Precision Ortho-MRI	0	(55)	0	(1,570)
Precision Ortho-PT	(58,142)	(62,364)	(456,445)	(439,341)
Vaccine Clinic	(303)	0	(52,863)	0
Dermatology	(6,334)	(32,555)	(139,664)	(277,359)
Hospitalists	0	0	0	0
Behavioral Health	(47,103)	(96,071)	(585,012)	(674,405)
Pediatric Diabetes	(31,864)	(63,171)	(380,843)	(305,803)
Neurosurgery	(5,970)	(10,773)	(206,924)	(260,061)
Multi-Specialty-RR	5,130	14,638	74,956	34,311
Radiology	(231,294)	(104,926)	(2,138,984)	(1,755,971)
Salinas Family Practice	(44,610)	(13,982)	(797,930)	(13,982)
Urology	(60,566)	0	(70,002)	0
Total SVMC	(3,361,529)	(1,996,026)	(27,876,951)	(33,288,075)
Doctors on Duty	(151,473)	(53,246)	(198,908)	127,825
Assisted Living	0	(6,987)	0	(61,346)
Salinas Valley Imaging	0	0	0	(19,974)
Vantage Surgery Center	37,808	11,410	220,554	176,761
LPCH NICU JV	0	0	0	0
Central Coast Health Connect	0	0	0	0
Monterey Peninsula Surgery Center	157,983	87,646	2,010,846	792,671
Aspire/CHI/Coastal	17,706	64,579	(238,638)	(60,579)
Apex	0	33,824	103,759	70,531
21st Century Oncology	4,862	15,768	67,022	(56,516)
Monterey Bay Endoscopy Center	16,111	35,206	320,485	726,543
Total	\$ (3,278,533)	\$ (1,807,828)	\$ (25,591,832)	\$ (31,592,160)

**SALINAS VALLEY MEMORIAL HOSPITAL
BALANCE SHEETS
March 31, 2022**

	<u>Current year</u>	<u>Prior year</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 311,156,889	\$ 301,377,642
Patient accounts receivable, net of estimated uncollectibles of \$24,623,402	89,863,712	87,793,712
Supplies inventory at cost	8,120,242	8,406,686
Other current assets	<u>13,316,479</u>	<u>8,385,880</u>
Total current assets	<u>422,457,322</u>	<u>405,963,920</u>
Assets whose use is limited or restricted by board	<u>146,993,729</u>	<u>139,617,493</u>
Capital assets:		
Land and construction in process	38,086,516	48,483,144
Other capital assets, net of depreciation	<u>201,172,662</u>	<u>208,561,183</u>
Total capital assets	<u>239,259,178</u>	<u>257,044,327</u>
Other assets:		
Investment in Securities	129,942,027	148,035,498
Investment in SVMC	10,906,219	16,172,312
Investment in Aspire/CHI/Coastal	1,748,729	4,712,439
Investment in other affiliates	21,611,632	21,944,144
Net pension asset	<u>51,253,837</u>	<u>3,370,369</u>
Total other assets	<u>215,462,444</u>	<u>194,234,762</u>
Deferred pension outflows	<u>50,119,236</u>	<u>83,379,890</u>
	<u>\$ 1,074,291,909</u>	<u>\$ 1,080,240,392</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 57,025,392	\$ 53,306,671
Due to third party payers	49,185,523	74,164,402
Current portion of self-insurance liability	<u>18,254,387</u>	<u>17,860,707</u>
Total current liabilities	124,465,302	145,331,780
Long term portion of workers comp liability	<u>14,288,063</u>	<u>14,780,904</u>
Total liabilities	<u>138,753,365</u>	<u>160,112,684</u>
Pension liability	<u>83,585,120</u>	<u>126,340,336</u>
Net assets:		
Invested in capital assets, net of related debt	239,259,178	257,044,327
Unrestricted	<u>612,694,246</u>	<u>536,743,045</u>
Total net assets	<u>851,953,424</u>	<u>793,787,372</u>
	<u>\$ 1,074,291,909</u>	<u>\$ 1,080,240,392</u>

SALINAS VALLEY MEMORIAL HOSPITAL
STATEMENTS OF REVENUE AND EXPENSES - BUDGET VS. ACTUAL
March 31, 2022

	Month of March,				Nine months ended March 31,			
	Actual	Budget	Variance	% Var	Actual	Budget	Variance	% Var
Operating revenue:								
Gross billed charges	\$ 221,898,530	\$ 199,588,021	22,310,509	11.18%	\$ 1,852,482,634	\$ 1,746,462,423	106,020,211	6.07%
Deductions from revenue	169,703,144	153,526,228	16,176,916	10.54%	1,405,893,115	1,341,165,646	64,727,469	4.83%
Net patient revenue	52,195,386	46,061,793	6,133,593	13.32%	446,589,519	405,296,777	41,292,742	10.19%
Other operating revenue	842,784	944,363	(101,579)	-10.76%	8,667,548	7,365,861	1,301,687	17.67%
Total operating revenue	53,038,170	47,006,156	6,032,014	12.83%	455,257,067	412,662,638	42,594,429	10.32%
Operating expenses:								
Salaries and wages	16,145,520	16,479,466	(333,946)	-2.03%	139,406,231	139,274,683	131,548	0.09%
Compensated absences	2,420,841	2,083,850	336,991	16.17%	24,182,544	24,065,972	116,572	0.48%
Employee benefits	7,290,572	7,400,963	(110,391)	-1.49%	62,733,382	63,633,848	(900,466)	-1.42%
Supplies, food, and linen	7,116,296	6,037,102	1,079,194	17.88%	56,907,920	52,697,005	4,210,915	7.99%
Purchased department functions	3,506,751	3,094,987	411,764	13.30%	30,339,667	27,652,209	2,687,458	9.72%
Medical fees	1,531,307	1,830,070	(298,763)	-16.33%	16,600,161	16,445,467	154,694	0.94%
Other fees	3,744,593	882,716	2,861,877	324.21%	21,544,447	8,318,740	13,225,707	158.99%
Depreciation	1,873,914	1,881,816	(7,902)	-0.42%	16,559,159	16,184,122	375,037	2.32%
All other expense	1,273,963	1,445,868	(171,905)	-11.89%	12,223,449	12,874,021	(650,572)	-5.05%
Total operating expenses	44,903,757	41,136,839	3,766,918	9.16%	380,496,960	361,146,067	19,350,893	5.36%
Income from operations	8,134,413	5,869,318	2,265,095	38.59%	74,760,107	51,516,571	23,243,536	45.12%
Non-operating income:								
Donations	220,220	166,667	53,553	32.13%	1,575,873	1,500,000	75,873	5.06%
Property taxes	333,333	333,333	(0)	0.00%	3,000,000	3,000,000	0	0.00%
Investment income	(4,239,802)	(63,302)	(4,176,500)	6597.79%	(12,145,284)	(569,714)	(11,575,570)	2031.82%
Income from subsidiaries	(3,278,533)	(4,139,162)	860,629	-20.79%	(25,591,832)	(36,951,531)	11,359,699	-30.74%
Total non-operating income	(6,964,782)	(3,702,463)	(3,262,318)	88.11%	(33,161,243)	(33,021,245)	(139,999)	0.42%
Operating and non-operating income \$	1,169,631	\$ 2,166,854	(997,223)	-46.02%	\$ 41,598,864	\$ 18,495,326	23,103,538	124.92%

SALINAS VALLEY MEMORIAL HOSPITAL
PATIENT STATISTICAL REPORT
For the month of Mar and nine months to date

	<u>Month of Mar</u>		<u>Nine months to date</u>		<u>Variance</u>
	<u>2021</u>	<u>2022</u>	<u>2020-21</u>	<u>2021-22</u>	
<u>NEWBORN STATISTICS</u>					
Medi-Cal Admissions	42	33	392	365	(27)
Other Admissions	93	89	851	870	19
Total Admissions	135	122	1,243	1,235	(8)
Medi-Cal Patient Days	67	53	590	562	(28)
Other Patient Days	169	155	1,390	1,233	(157)
Total Patient Days of Care	236	208	1,980	1,795	(185)
Average Daily Census	7.6	6.7	7.2	6.6	(0.7)
Medi-Cal Average Days	1.7	1.8	1.6	1.6	0.0
Other Average Days	0.9	1.8	1.6	1.4	(0.2)
Total Average Days Stay	1.7	1.8	1.6	1.5	(0.1)
<u>ADULTS & PEDIATRICS</u>					
Medicare Admissions	351	398	2,867	3,100	233
Medi-Cal Admissions	289	239	2,126	2,145	19
Other Admissions	370	301	2,498	2,727	229
Total Admissions	1,010	938	7,491	7,972	481
Medicare Patient Days	1,522	1,668	13,385	13,537	152
Medi-Cal Patient Days	1,025	947	9,859	9,109	(750)
Other Patient Days	921	1,005	8,721	6,041	(2,680)
Total Patient Days of Care	3,468	3,620	31,965	28,687	(3,278)
Average Daily Census	111.9	116.8	116.7	104.7	(12.0)
Medicare Average Length of Stay	4.4	4.2	4.6	4.3	(0.3)
Medi-Cal Average Length of Stay	3.5	3.4	3.8	3.5	(0.3)
Other Average Length of Stay	2.6	2.6	2.6	1.7	(0.9)
Total Average Length of Stay	3.5	3.4	3.6	3.1	(0.5)
Deaths	28	20	348	254	(94)
Total Patient Days	3,704	3,828	33,945	30,482	(3,463)
Medi-Cal Administrative Days	1	4	165	191	26
Medicare SNF Days	0	0	0	0	0
Over-Utilization Days	0	0	0	0	0
Total Non-Acute Days	1	4	165	191	26
Percent Non-Acute	0.03%	0.10%	0.49%	0.63%	0.14%

SALINAS VALLEY MEMORIAL HOSPITAL
PATIENT STATISTICAL REPORT
For the month of Mar and nine months to date

	<u>Month of Mar</u>		<u>Nine months to date</u>		<u>Variance</u>
	<u>2021</u>	<u>2022</u>	<u>2020-21</u>	<u>2021-22</u>	
<u>PATIENT DAYS BY LOCATION</u>					
Level I	321	305	2,409	2,174	(235)
Heart Center	341	327	3,062	2,135	(927)
Monitored Beds	621	645	7,622	6,084	(1,538)
Single Room Maternity/Obstetrics	359	326	3,124	2,881	(243)
Med/Surg - Cardiovascular	810	754	6,689	5,664	(1,025)
Med/Surg - Oncology	104	247	1,471	2,220	749
Med/Surg - Rehab	471	455	3,925	3,490	(435)
Pediatrics	142	81	888	708	(180)
Nursery	236	208	1,980	1,795	(185)
Neonatal Intensive Care	115	110	1,154	878	(276)
<u>PERCENTAGE OF OCCUPANCY</u>					
Level I	79.65%	75.68%	67.63%	68.66%	
Heart Center	73.33%	70.32%	74.50%	58.44%	
Monitored Beds	74.19%	77.06%	103.03%	92.52%	
Single Room Maternity/Obstetrics	31.30%	28.42%	30.81%	31.97%	
Med/Surg - Cardiovascular	58.06%	54.05%	54.25%	51.68%	
Med/Surg - Oncology	25.81%	61.29%	41.30%	70.12%	
Med/Surg - Rehab	58.44%	56.45%	55.10%	55.11%	
Med/Surg - Observation Care Unit	0.00%	70.21%	0.00%	59.24%	
Pediatrics	25.45%	14.52%	18.00%	16.15%	
Nursery	46.14%	40.66%	21.90%	22.33%	
Neonatal Intensive Care	33.72%	32.26%	38.29%	32.77%	

SALINAS VALLEY MEMORIAL HOSPITAL
PATIENT STATISTICAL REPORT
For the month of Mar and nine months to date

	<u>Month of Mar</u>		<u>Nine months to date</u>		<u>Variance</u>
	<u>2021</u>	<u>2022</u>	<u>2020-21</u>	<u>2021-22</u>	
<u>DELIVERY ROOM</u>					
Total deliveries	140	84	1,230	1,171	(59)
C-Section deliveries	52	36	381	387	6
Percent of C-section deliveries	37.14%	42.86%	30.98%	33.05%	2.07%
<u>OPERATING ROOM</u>					
In-Patient Operating Minutes	22,919	22,796	179,549	172,866	(6,683)
Out-Patient Operating Minutes	28,721	29,730	199,416	225,349	25,933
Total	51,640	52,526	378,965	398,215	19,250
Open Heart Surgeries	13	13	103	109	6
In-Patient Cases	172	167	1,272	1,252	(20)
Out-Patient Cases	271	295	2,147	2,263	116
<u>EMERGENCY ROOM</u>					
Immediate Life Saving	34	17	298	295	(3)
High Risk	509	525	4,563	4,181	(382)
More Than One Resource	2,113	2,704	18,972	23,056	4,084
One Resource	855	1,492	10,974	14,821	3,847
No Resources	23	60	327	753	426
Total	<u>3,534</u>	<u>4,798</u>	<u>35,134</u>	<u>43,106</u>	<u>7,972</u>

SALINAS VALLEY MEMORIAL HOSPITAL
PATIENT STATISTICAL REPORT
For the month of Mar and nine months to date

	Month of Mar		Nine months to date		Variance
	2021	2022	2020-21	2021-22	
CENTRAL SUPPLY					
In-patient requisitions	16,315	15,295	102,118	105,727	3,609
Out-patient requisitions	6,250	6,730	67,967	63,426	-4,541
Emergency room requisitions	1,375	698	11,273	8,349	-2,924
Interdepartmental requisitions	7,849	7,115	49,644	44,398	-5,246
Total requisitions	31,789	29,838	231,002	221,900	-9,102
LABORATORY					
In-patient procedures	42,107	38,721	253,735	241,589	-12,146
Out-patient procedures	9,286	11,597	76,062	80,263	4,201
Emergency room procedures	9,433	11,145	60,934	76,430	15,496
Total patient procedures	60,826	61,463	390,731	398,282	7,551
BLOOD BANK					
Units processed	318	297	1,996	1,965	-31
ELECTROCARDIOLOGY					
In-patient procedures	1,041	1,068	6,566	6,885	319
Out-patient procedures	349	302	2,706	2,668	-38
Emergency room procedures	1,045	1,148	6,142	7,127	985
Total procedures	2,435	2,518	15,414	16,680	1,266
CATH LAB					
In-patient procedures	64	77	512	607	95
Out-patient procedures	51	71	571	625	54
Emergency room procedures	0	0	1	0	-1
Total procedures	115	148	1,084	1,232	148
ECHO-CARDIOLOGY					
In-patient studies	298	371	2,033	2,406	373
Out-patient studies	138	156	1,262	1,520	258
Emergency room studies	2	1	16	5	-11
Total studies	438	528	3,311	3,931	620
NEURODIAGNOSTIC					
In-patient procedures	140	165	1,109	1,090	-19
Out-patient procedures	24	27	169	164	-5
Emergency room procedures	0	0	0	0	0
Total procedures	164	192	1,278	1,254	-24

SALINAS VALLEY MEMORIAL HOSPITAL
PATIENT STATISTICAL REPORT
For the month of Mar and nine months to date

	Month of Mar		Nine months to date		Variance
	2021	2022	2020-21	2021-22	
SLEEP CENTER					
In-patient procedures	0	0	1	0	-1
Out-patient procedures	183	167	1,315	1,153	-162
Emergency room procedures	0	0	0	0	0
Total procedures	183	167	1,316	1,153	-163
RADIOLOGY					
In-patient procedures	1,654	1,429	9,708	8,710	-998
Out-patient procedures	416	356	4,323	2,915	-1,408
Emergency room procedures	1,217	1,382	7,939	8,809	870
Total patient procedures	3,287	3,167	21,970	20,434	-1,536
MAGNETIC RESONANCE IMAGING					
In-patient procedures	105	141	860	890	30
Out-patient procedures	127	77	953	768	-185
Emergency room procedures	14	6	80	49	-31
Total procedures	246	224	1,893	1,707	-186
MAMMOGRAPHY CENTER					
In-patient procedures	2,718	3,550	20,910	24,711	3,801
Out-patient procedures	2,696	3,518	20,790	24,527	3,737
Emergency room procedures	3	0	3	8	5
Total procedures	5,417	7,068	41,703	49,246	7,543
NUCLEAR MEDICINE					
In-patient procedures	12	14	86	94	8
Out-patient procedures	61	78	506	541	35
Emergency room procedures	1	0	4	4	0
Total procedures	74	92	596	639	43
PHARMACY					
In-patient prescriptions	111,491	94,299	636,356	605,331	-31,025
Out-patient prescriptions	10,439	11,319	99,978	104,283	4,305
Emergency room prescriptions	5,342	7,197	36,983	48,996	12,013
Total prescriptions	127,272	112,815	773,317	758,610	-14,707
RESPIRATORY THERAPY					
In-patient treatments	29,606	21,738	156,457	131,478	-24,979
Out-patient treatments	143	981	3,391	7,896	4,505
Emergency room treatments	373	194	1,179	1,583	404
Total patient treatments	30,122	22,913	161,027	140,957	-20,070
PHYSICAL THERAPY					
In-patient treatments	2,256	2,396	16,109	16,284	175
Out-patient treatments	99	170	1,751	2,108	357
Emergency room treatments	0	0	0	0	0
Total treatments	2,355	2,566	17,860	18,392	532

SALINAS VALLEY MEMORIAL HOSPITAL
PATIENT STATISTICAL REPORT
For the month of Mar and nine months to date

	<u>Month of Mar</u>		<u>Nine months to date</u>		<u>Variance</u>
	<u>2021</u>	<u>2022</u>	<u>2020-21</u>	<u>2021-22</u>	
OCCUPATIONAL THERAPY					
In-patient procedures	1,445	1,660	9,403	10,682	1,279
Out-patient procedures	74	99	797	1,086	289
Emergency room procedures	0	0	0	0	0
Total procedures	<u>1,519</u>	<u>1,759</u>	<u>10,200</u>	<u>11,768</u>	<u>1,568</u>
SPEECH THERAPY					
In-patient treatments	348	525	2,682	3,077	395
Out-patient treatments	23	28	171	200	29
Emergency room treatments	0	0	0	0	0
Total treatments	<u>371</u>	<u>553</u>	<u>2,853</u>	<u>3,277</u>	<u>424</u>
CARDIAC REHABILITATION					
In-patient treatments	0	0	0	0	0
Out-patient treatments	498	401	2,637	4,268	1,631
Emergency room treatments	0	0	1	0	-1
Total treatments	<u>498</u>	<u>401</u>	<u>2,638</u>	<u>4,268</u>	<u>1,630</u>
CRITICAL DECISION UNIT					
Observation hours	<u>378</u>	<u>344</u>	<u>1,866</u>	<u>2,252</u>	<u>386</u>
ENDOSCOPY					
In-patient procedures	85	78	626	636	10
Out-patient procedures	12	29	159	223	64
Emergency room procedures	0	0	0	0	0
Total procedures	<u>97</u>	<u>107</u>	<u>785</u>	<u>859</u>	<u>74</u>
C.T. SCAN					
In-patient procedures	537	596	3,803	4,027	224
Out-patient procedures	445	281	3,598	2,517	-1,081
Emergency room procedures	433	552	3,208	4,164	956
Total procedures	<u>1,415</u>	<u>1,429</u>	<u>10,609</u>	<u>10,708</u>	<u>99</u>
DIETARY					
Routine patient diets	17,554	21,351	113,154	130,102	16,948
Meals to personnel	19,345	21,421	144,216	152,161	7,945
Total diets and meals	<u>36,899</u>	<u>42,772</u>	<u>257,370</u>	<u>282,263</u>	<u>24,893</u>
LAUNDRY AND LINEN					
Total pounds laundered	<u>99,573</u>	<u>100,531</u>	<u>710,088</u>	<u>689,921</u>	<u>-20,167</u>

PUBLIC INPUT

NO CLOSED SESSION

*ADJOURNMENT – THE MAY 2022
PERSONNEL, PENSION AND
INVESTMENT COMMITTEE MEETING
IS SCHEDULED FOR TUESDAY,
MAY 24, 2022, AT 12:00 P.M.*