Working With Your Investment Professionals

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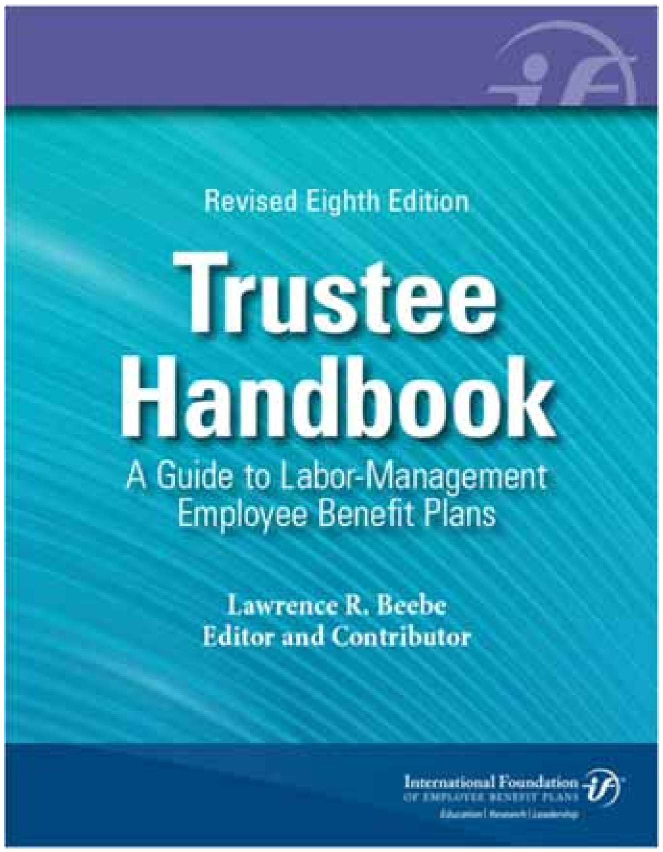
70TH ANNUAL EMPLOYEE BENEFITS CONFERENCE

International Foundation OF EMPLOYEE BENEFIT PLANS

Where Can I Find More Information on the Investment Management Process?



International Foundation
OF EMPLOYEE BENEFIT PLANS

Investments Institute

Wednesday, April 30-Thursday, May 01, 2025
Luminary Hotel & Co., Autograph Collection, Fort Myers, FL

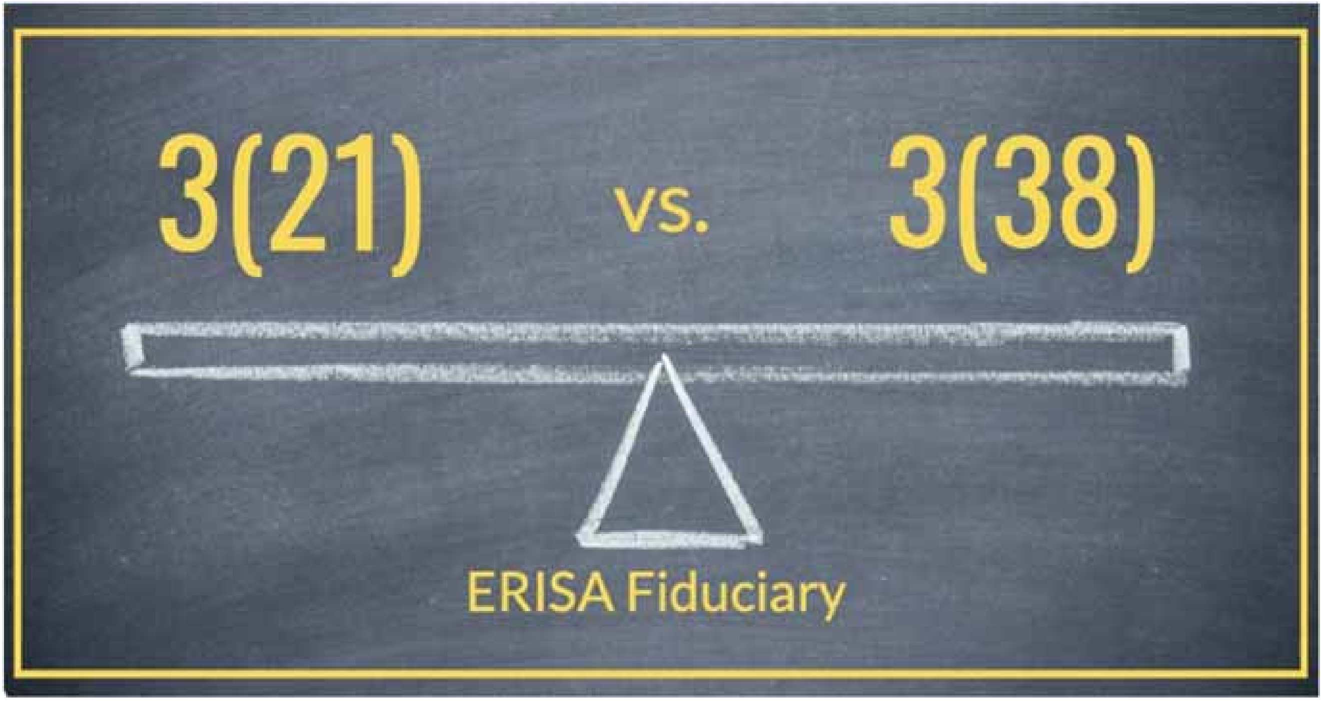
Session Outline

- The written material contains information that is helpful to plan fiduciaries, but the presentation will focus on the relationship with your investment consultant.
  - Basic fiduciary obligations
  - Types of investment consulting arrangements
  - Portfolio construction and management
  - Importance of asset allocation
  - Discipline in times of market volatility

Basic Fiduciary Duties

- Duty of Loyalty
- Duty of Care
- Duty to Diversify Plan Investments
- Exclusive Benefit Rule
- Duty to Comply With Plan Documents

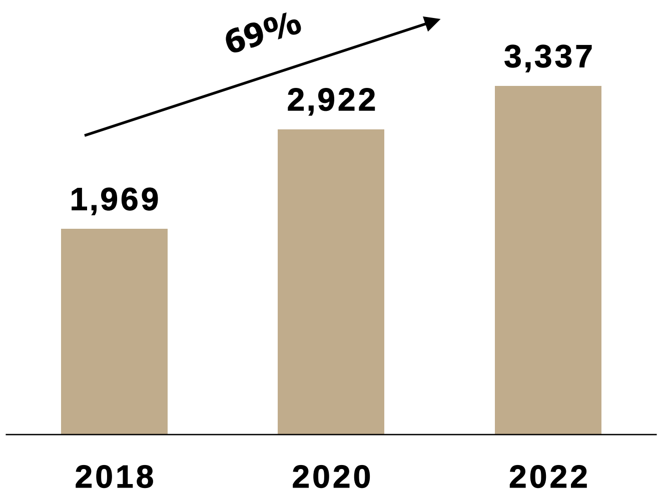
What Type of Investment Consulting Arrangements Are Available?



What Is an Outsourced Chief Investment Office (OCIO)?

OCIOs provide a full suite of investment management, fiduciary oversight and operational services, allowing institutions to focus on big-picture items

Global OCIO Assets Are Rising ($billions)[1]



Benefits of outsourcing:

- Portfolio customization
- Potentially lower fees and costs
- Institutional controls and governance
- Quicker trade execution due to market proximity
- No need to hire additional staff

[1] The Cerulli Report: U.S. Outsourced Chief Investment Officer Function 2023.

A Multifactor Approach to Portfolio Building

The investment process should be rooted in three central tenets:

Market inefficiencies

present opportunities

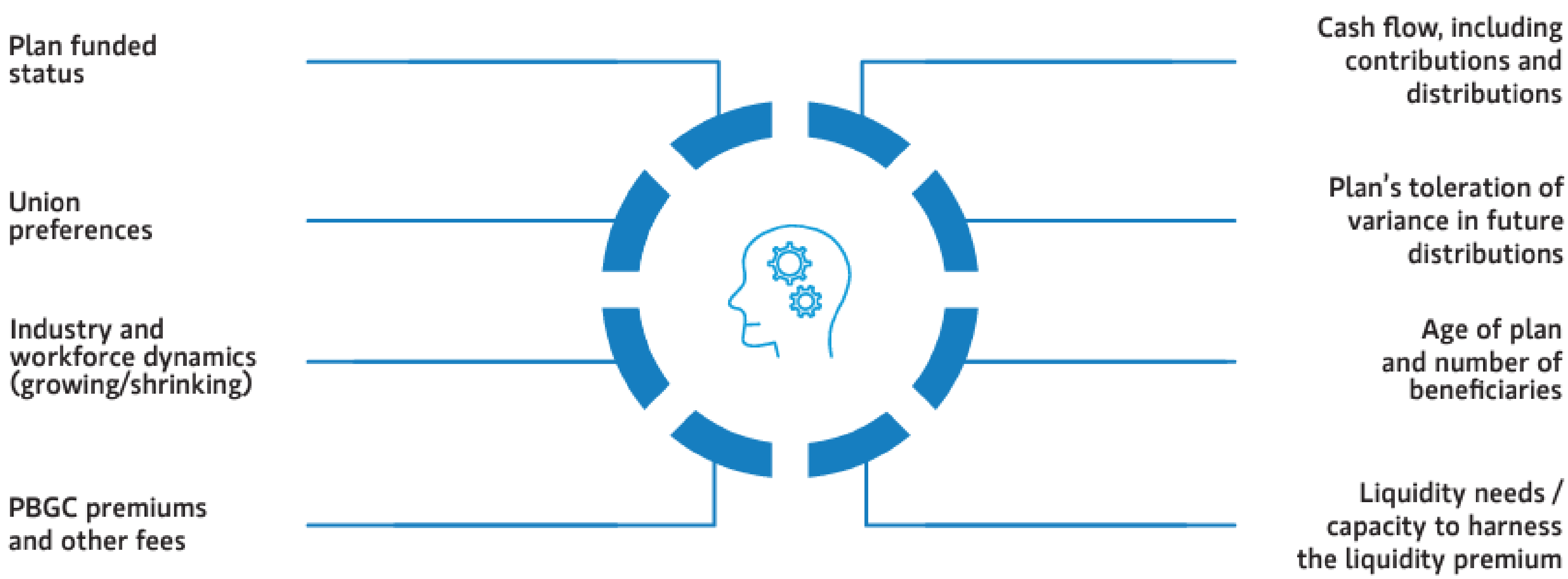
Client customization

is essential

Risk management

is integral to delivering returns

Non-Market Factors That Influence Taft-Hartley Portfolio Construction



PBGC premiums are fees paid to the Pension Benefit Guaranty Corporation (PBGC), an independent entity that insures retirement benefits for defined benefit plan participants.

Objectives of an Investment Policy Statement

- Clarifies a statement of **purpose**.
- Defines **roles and responsibilities** for fiduciaries, including Trustees, Investment Committee, Investment Consultant and Investment Managers.
- Defines plan's regulatory oversight
- **Defines** investment goals, objectives and risk parameters.
- Identifies appropriate asset allocation policy targets, ranges, and provides **guidelines** for managing risk.
- Outlines requirements for **cash flow**, liquidity constraints, actuarial return target, spending policy
- Documents policy **constraints** and restrictions (e.g., allowable investments).
- Defines extra-investment considerations—Impact requirements

Why Is Investment Policy Important?

It's required by law, under the Uniform Prudent Management of Institutional Funds Act

Considered a best practice under ERISA

It provides the opportunity to interview the board / Investment Committee members on policy issues and determine risk tolerance and extra-investment considerations

It defines a plan's investment goals and objectives

It creates a written reference for ongoing investment recommendations and decisions

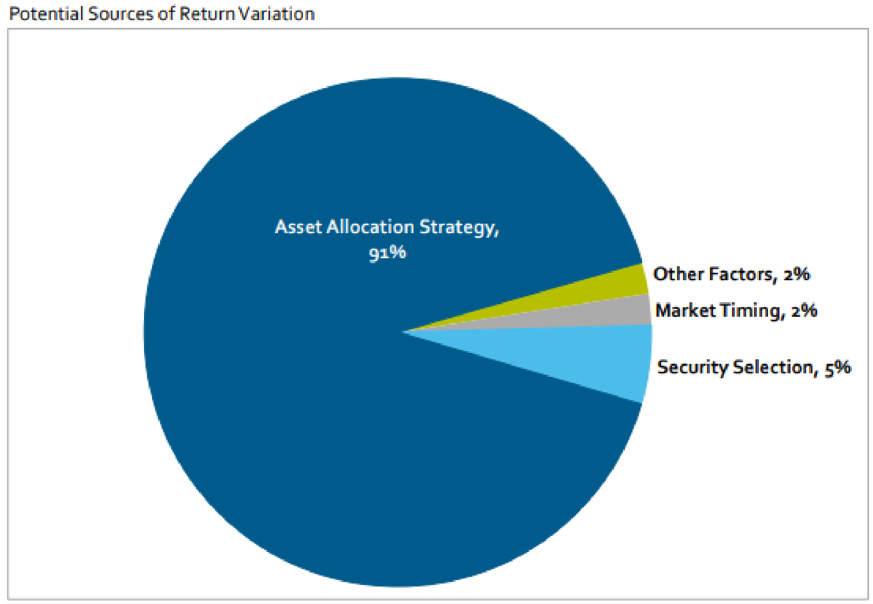
It documents institutional memory for the fund

It provides for delegation of responsibilities

Critical Issues Affecting Investment Policy

Corporate Governance	Compliance	Markets
Behavioral Decision-Making	Portfolio Construction	Risk Management
Mission Alignment	Delegation	

Asset Allocation—The Most Important Determinant of Risk Exposures and Investment Outcomes



Source: Roger G. Ibbotson. Does Asset Allocation Policy Explain 10, 90 or 100 Percent of Performance? Financial Analyst Journal, January/February 2000; Brinson, Singer and Beebower. Determination of Performance II: An Update, Financial Analyst Journal, May/June 1991. Based on US pension-fund data from 1977 to 1987

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.

Effective Asset Allocation Depends on Understanding Both Risk and Return

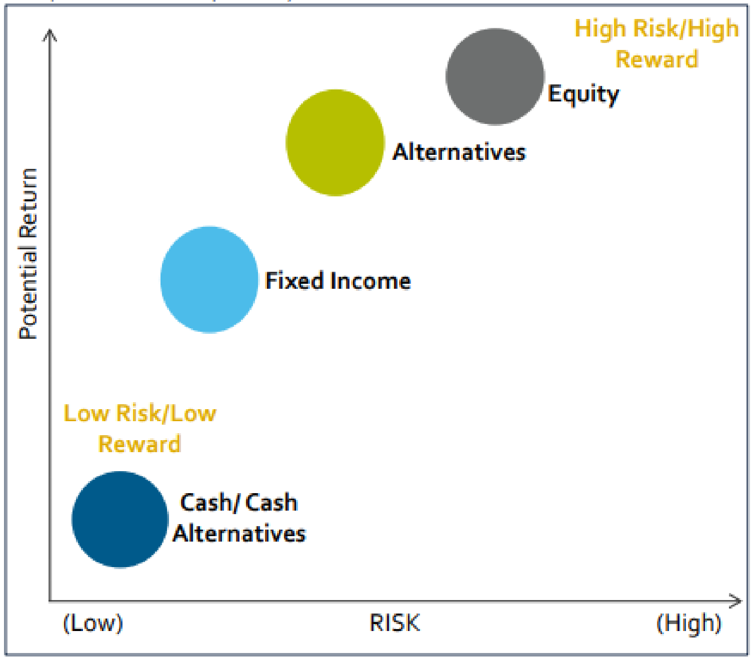
Various asset classes tend to have different risk and return characteristics.

Typically, the higher the potential risk, the higher the potential return for an asset class, and the lower the risk, the lower the potential return.

20-Year Annualized Risk and Return
Monthly data as of July 31, 2024

Asset Class	Annualized Return	Annualized Volatility
Cash	1.5%	0.5%
Fixed Income	3.1%	4.2%
Alternatives	5.0%	5.7%
Equity	10.3%	14.9%

Annualized Risk and Return of Asset Classes
Example for Illustrative Purposes Only



Source: FactSet, Bloomberg, Morgan Stanley Wealth Management Global Investment Office. Cash is represented by 90-Day T-bills: Citigroup 3M T-Bill Index; Equity by US Large Cap Equities: S&P 500 Index; Fixed Income by US Investment Grade Bonds: Bloomberg US Aggregate Index; Alternatives by HFRI Fund Weighted Composite Index.
This slide is an educational presentation of performance that reflect an allocation of assets by type or class, which may educate investors about historical trends regarding asset classes. These are not investable securities, and the returns displayed do not account for any applicable advisory fees or expenses. However, in an advisory relationship there will be applicable advisory fees and expenses, the deduction of which, when compounded over a period of years, would decrease returns.
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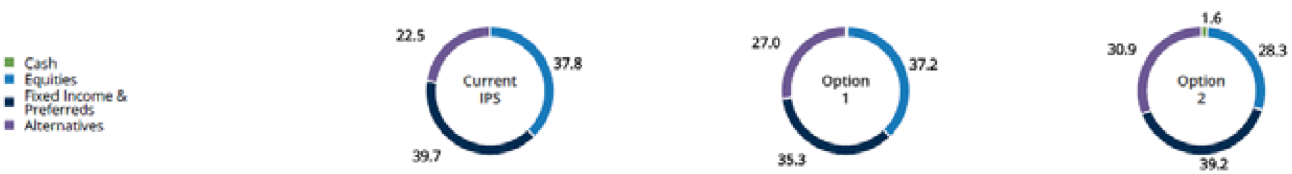
Horizon Survey of Capital Market Assumptions: 2024 Edition

Asset Class	10-Year Horizon	20-Year Horizon	Standard Deviation
US Equity – Large Cap	6.46%	6.96%	16.52%
US Equity – Small/Mid Cap	7.07%	7.50%	20.57%
Non-US Equity – Developed	7.08%	7.52%	18.06%
Non-US Equity – Emerging	7.70%	8.24%	23.61%
US Corporate Bonds – Core	4.93%	4.88%	5.90%
US Corporate Bond – Long Duration	5.05%	5.16%	10.98%
US Corporate Bonds – High Yield	6.13%	6.36%	9.94%
Non-US Debt – Developed	3.66%	3.71%	7.33%
Non-US Debt – Emerging	6.17%	6.28%	10.76%
US Treasuries (Cash Equivalents)	3.68%	3.43%	1.10%
TIPS (Inflation-Protected)	4.38%	4.27%	6.10%
Real Estate	6.06%	6.17%	16.61%
Hedge Funds	5.90%	6.17%	8.03%
Commodities	4.92%	4.95%	17.81%
Infrastructure	7.26%	7.36%	16.02%
Private Equity	9.09%	9.71%	22.57%
Private Debt	8.32%	8.44%	12.00%

Source: Horizon Actuarial 2024 Survey of Capital Market Assumptions

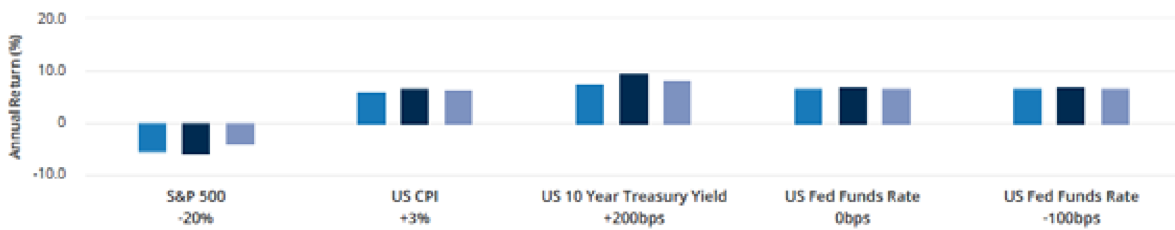
The Science of Optimized Asset Allocation

Asset Allocations (%)



	Current IPS		Option 1		Option 2	
Assumptions	Strategic	Secular	Strategic	Secular	Strategic	Secular
Annual Return	6.6 %	7.0 %	7.0 %	7.4 %	6.7 %	7.0 %
Standard Deviation	7.9 %	7.9 %	7.9 %	7.9 %	7.0 %	7.0 %
Sharpe Ratio	0.34	0.50	0.39	0.54	0.41	0.56
Annual Yield	3.2 %	2.7 %	3.0 %	2.7 %	2.9 %	2.6 %
Probability of Positive Return	80.4 %	81.4 %	81.8 %	82.7 %	83.8 %	84.5 %

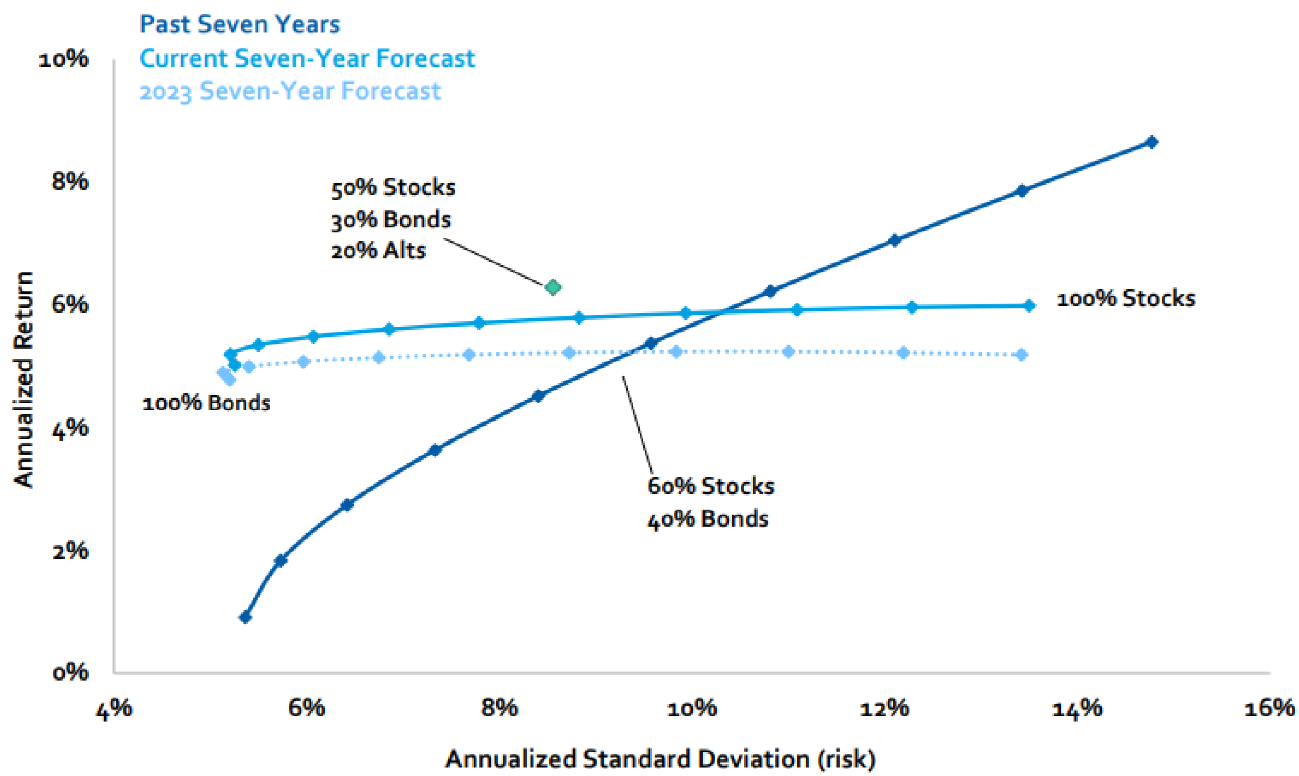
Summary



	S&P 500 -20%	US CPI +3%	US 10 Year Treasury Yield +200bps	US Fed Funds Rate 0bps	US Fed Funds Rate -100bps
Current IPS	-5.4%	6.0%	7.6%	6.6%	6.6%
Option 1	-5.9%	6.6%	9.5%	7.0%	6.9%
Option 2	-4.0%	6.4%	8.4%	6.7%	6.7%

Important: The projections or other information generated by the Wealth Strategies Analysis Tool regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results, and are not guarantees of future results. Results generated by a Monte Carlo analysis will vary with each use and over time because each portfolio simulation is randomly generated.

Strategic Efficient Frontier Remains Historically Flat

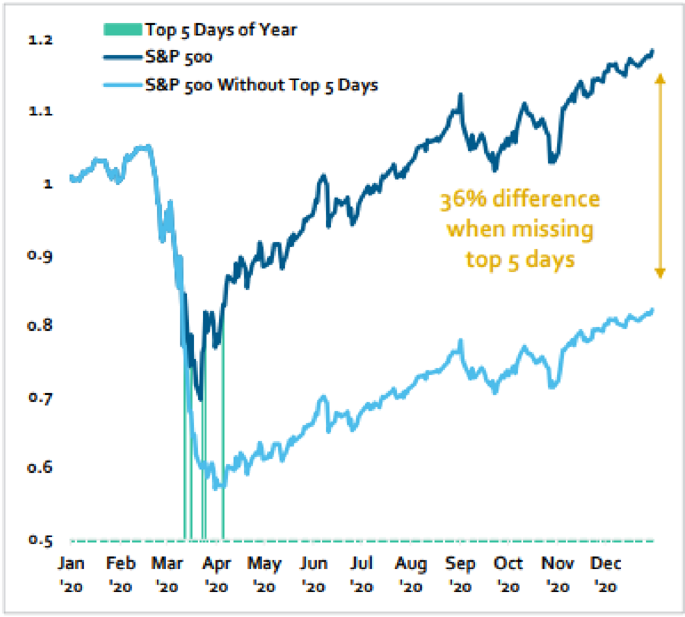


Source: Bloomberg, FactSet, Morgan Stanley Wealth Management GIC as of Feb. 29, 2024. Stocks are represented by the MSCI All Country World Index, bonds by the Bloomberg US Aggregate Index and alternatives by the HFRI Fund-Weighted Composite. Past performance is no guarantee of future results. Estimates 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.

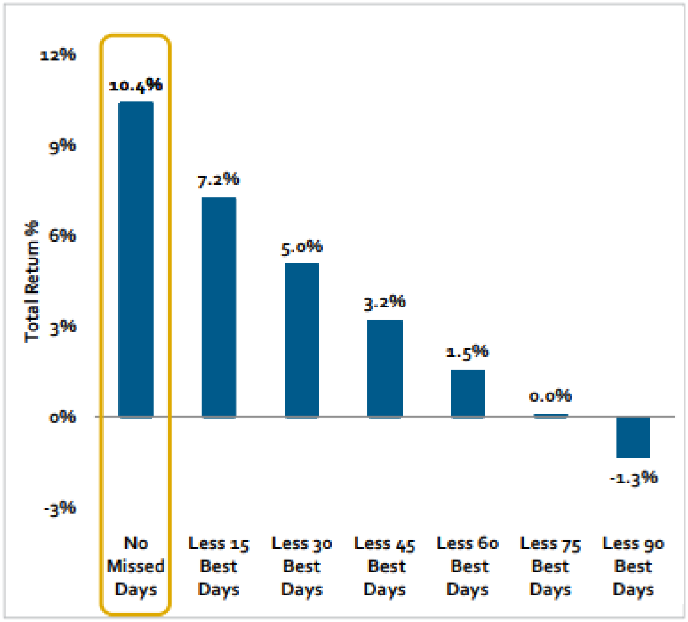
Market Timing Can Be a Costly Strategy

Market timing is difficult for any investor. What's more, it runs the risk of missing out on the market's best days, which are crucial for long-run returns.

The Best Days Often Happen During the Worst Times[1]
S&P 500 Total Returns in 2020



Stay Invested to Ensure You Don't Miss the Market's Best Days[2]
Annualized Total Returns of S&P 500 Since 1990[1] as of August 08, 2024



Source: Bloomberg, FactSet, Morgan Stanley Wealth Management GIO. (1) Best days are defined as the days with the highest single-day returns in the S&P 500. (2) Down markets defined as a 10% of greater decline from trailing one year peak in S&P 500. 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.

Manager Due Diligence Process

Quantitative analysis

Qualitative analysis

Business and operational review

Comprehensive governance and oversight of recommendations

Ongoing investment and operation monitoring

Manager Selection: What Do We Look For?

INVESTMENT PROCESS AND CHARACTERISTICS

- Talented and deep investment team
- Clearly articulated, repeatable and consistent process
- High conviction portfolio
- Additive top-down process
- Strong risk management
- Duration and yield curve management
- Disciplined buy and sell process
- Outperformance driven by security selection

BUSINESS

- Equitable distribution of employee ownership
- Strong business leadership
- Strong investment culture
- Low personnel turnover
- Reasonable succession planning
- Diversified, stable asset base
- Investment professional contracts
- Alignment of interests with clients

OPERATIONS AND COMPLIANCE

- Documented policies and procedures
- Clear and equitable trade rotations
- Representative composite performance
- Reasonable asset levels
- Reasonable fees
- Clean regulatory history
- Documented code of ethics
- Institutional-quality infrastructure

What Should Trustees Expect, and When Should a Change Be Considered?

- Industry knowledge, experience, and expertise
  - Understanding of plan and bargaining parties
- Timely, effective communication and reporting
  - Before, during, and after meeting
  - During periods of volatility
- Periodic asset allocation reviews
- Proactive monitoring of fees
  - Custody, managers, commingled options, etc.

Investment Fee Considerations

1. Consulting Fee	Asset based ***or*** hard dollar?
2. Investment Management Fees	Does your consultant have the ability to negotiate fees and investment minimums with managers?
3. Trading Costs	What is the cents-per-share cost for placing trades in your accounts? Does your consultant provide an avenue for no cost trading?
4. Custody Costs	Where are your assets being custodied and what is the cost for that custody?

Key Takeaways

- An effective working relationship with your investment consultant is key to success
  - It is important to have a trusted, experienced partner to serve your participants and beneficiaries
  - You are judged on the investment management process, not outcomes
  - An effective consultant will be proactive and able to communicate effectively to all constituents
  - Don’t be afraid to ask questions and demand more from your consultant

Your Feedback Is Important. Please Scan This QR Code.

Session Evaluation

Appendix

Who Is a Plan Fiduciary?

- A person or entity that is not a named fiduciary will still be deemed a plan fiduciary under ERISA Section 3(21) if they:
  - Render Investment Advice for a fee
  - Have any discretionary authority or control regarding management of the plan, or over the management or disposition of its assets; or
  - Have any discretionary authority for the administration of the plan.

- An “Investment Manager” under ERISA Section 3(38) is a fiduciary who:
  - Has the power to manage, acquire or dispose of any asset of the plan
  - Is a Registered Investment Advisor (RIA), bank or insurance company
  - Has acknowledged in writing that they are a fiduciary with respect to the plan

How to Select and Monitor a Section 3(38) Investment Manager or a Section 3(21) Investment Advice Fiduciary

1. Is the 3(38) Investment manager or 3(21) investment advice fiduciary adequately insured? It is important to also evaluate the financial health of the organization beyond insurance – how is the advisory firm positioned for longevity? What assets does the organization have to support potential claims?
2. Does the 3(38) investment manager or 3(21) investment advice fiduciary have an investment process which conforms to that of an “expert”?
3. What are the composition and credentials of its investment team? How many professionals support the investment process? Does the firm have appropriate resources and processes to prudently cover all asset categories offered to plan participants (i.e., stable value)?
4. How are potential conflicts of interest addressed in the contract or ADV? Atre proprietary investment options explicitly prohibited/excluded from the contract?
5. Has the investment manager/adviser’s organization been the subject of an investigation by any regulatory or government agency relating to their ERISA fiduciary service?
6. Have regulators or independent auditors routinely examined the investment manager/adviser’s organization?
7. Has the investment manager/adviser’s organization ever been the subject of any litigation?
8. Have there been any material changes t the investment manager/adviser’s organization’s written fidelity bond or errors and omissions insurance?
9. Have there been any changes to the investment manager/adviser’s organization’s written fiduciary status in relation to the plan?
10. Has the investment manager/adviser’s organization disclosed all sources of compensation?
11. What are the investment manager/adviser’s Section 3(38)/3(21) assets and plans under advisement?
12. Does the organization have appropriate policies and internal controls relating to ERISA 3(38) and 3(21) services?

Ongoing Monitoring of Investment Fiduciaries

1. Has the investment manager/adviser acknowledged in writing that it is considered a plan fiduciary?
2. Has the Investment manager/adviser delivered all promised fiduciary reports to the plan sponsor?
3. Has the investment manager/adviser assisted in the development of the Investment Policy Statement for the plan?
4. Has the investment manager/adviser selected plan investment options consistent with the Investment Policy Statement?
5. Does the investment manager monitor (and replace, as necessary) investment options consistent with the plan's Investment Policy Statement? Does the investment adviser monitor (and recommend, as necessary) the replacement of investment options consistent with the plan's Investment Policy Statement?
6. Does the investment manager/adviser report performance compared to peer groups, appropriate benchmarks, and strategy objectives?
7. Does the investment manager provide adequate rationale and documentation for investment changes it makes? Does the investment adviser provide adequate rationale and documentation for investment changes it recommends?
8. Are there periodic meetings to explain the plan's investment performance, and interim communications when requires, with a written report for every meeting?
9. Does the investment manager work with your provider to execute fund changes?
10. Since the investment manager/adviser first became a plan fiduciary, have there been any changes to the management or ownership of the investment manager/adviser's organization?
11. Since the investment manager/adviser first became a plan fiduciary, have there been any organizational changes to the investment manager/adviser's organization that may impact plan management?
12. Since the investment manager/adviser first became a plan fiduciary, has the investment manager/adviser's organization's status under the Investment Advisers Act of 1940 change?

Disclosures

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You should understand the differences between a brokerage and advisory relationship. When providing you brokerage services, our legal obligations to you are governed by the Securities Act of 1933, the Securities Exchange Act of 1934, the rules of self-regulatory organizations such as the Financial Industry Regulatory Authority (FINRA), and state securities laws, where applicable. When providing you advisory services, our legal obligations to you are governed by the Investment Advisers Act, Federal statues and regulations relating to retirement accounts, and applicable state securities laws. These latter advisory obligations govern our conduct and disclosure requirements, creating a legal standard which is referred to as a "fiduciary" duty to you. We also may have a fiduciary duty to you, with respect to brokerage retirement accounts. Please reach out to your Financial Advisor if you have questions about your rights and our obligations to you, including the extent of our obligations to disclose conflicts of interest and to act in your best interest. For additional answers to questions about the differences between our advisory and brokerage services, please consult with your Financial Advisor or review our Understanding Your Brokerage and Investment Advisory Relationships brochure available at https://www.morganstanley.com/wealth-relationshipwithms/pdfs/understandingyourrelationship.pdf.

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Indices are unmanaged. An investor cannot invest directly in an index.

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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General Risks of Investing:

You should note that investing in financial instruments carries with it the possibility of losses and that a focus on above-market returns exposes the portfolio to above-average risk. Performance aspirations are not guaranteed and are subject to market conditions. High volatility investments may be subject to sudden and large falls in value, and there could be a large loss on realization which could be equal to the amount invested.

Asset allocation, diversification and rebalancing do not assure a profit or protect against loss. There may be a potential tax implication with a rebalancing strategy. Please consult your tax advisor before implementing such a strategy.

Non diversification is attributed to a portfolio that holds a concentrated or limited number of securities; a decline in the value of these investments would cause the portfolio's overall value to decline to a greater degree than a less concentrated portfolio. 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.

Value and growth investing also carry risks. Value investing involves the risk that the market may not recognize that securities are undervalued and they may not appreciate as anticipated. Growth investing does not guarantee a profit or eliminate risk. The stocks of these companies can have relatively high valuations. Because of these high valuations, an investment in a growth stock can be more risky than an investment in a company with more modest growth expectations.

Investors should carefully consider the investment objectives, risks, charges and expenses of a mutual fund/exchange traded fund before investing. The prospectus contains this and other information about the fund. To obtain a prospectus, contact your Institutional Consultant or visit the fund company's website. Please read the prospectus carefully before investing.

Key Asset Class and Security Type Risk Considerations:

Alternative Investments

The asset allocation recommendations provided to you in this report may include allocations to alternative asset classes. It is important to note that Alternatives may be either traditional alternative investment vehicles or non-traditional alternative strategy products. Traditional alternative investment vehicles may include hedge funds, fund of hedge funds (both registered and unregistered), private equity, and private real estate or managed futures funds. Non-traditional alternative strategy products may include open-end mutual funds and ETFs. These non-traditional products also seek alternative-like exposure but have significant differences from traditional alternative investments.

The risks of traditional alternative investments may include: high liquidity, speculative and not appropriate for all investors, loss of all or a substantial portion of the investment due to leveraging, short-selling, or other speculative practices, 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 open-end mutual funds, and risks associated with the operations, personnel and processes of the manager. Non-traditional alternative strategy products 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.

Fixed Income

Investing in fixed income securities involves interest rate risk, credit risk, and inflation risk. Interest rate risk is the possibility that bond prices will decrease because of an interest rate increase. When interest rates rise, bond prices, and the values of fixed income securities generally fall. Credit risk is the risk that a company will not be able to pay its debts, including the interest on its bonds. Inflation risk is the possibility that the interest paid on an investment in bonds will be lower than the inflation rate, decreasing purchasing power.

Ultra-Short Fixed Income

Ultra-short bond funds are mutual funds and exchange-traded funds that generally invest in fixed income securities with very short maturities, typically less than one year. They are not money market funds. While money market funds attempt to maintain a stable net asset value, an ultra-short bond fund's net asset value will fluctuate, which may result in the loss of the principal amount invested. They are therefore subject to the risks associated with debt securities such as credit and interest rate risk.

Non-US Fixed Income

Foreign fixed income securities may involve greater risks than those issued by U.S. companies or the U.S. government. Economic, political and other events unique to a country or region will affect those markets and their issues, but may not affect the U.S. market or similar U.S. issuers.

Inflation-Linked Securities

These securities adjust periodically against a benchmark rate, such as the Consumer Price Index (CPI). They pay a coupon equal to the benchmark rate, plus a fixed 'spread' and reset on a periodic basis. The initial interest rate on an inflation linked or floating security may be lower than that of a fixed-rate security of the same maturity because investors expect to receive additional income due to future increases in CPI, or the linked reference interest rate. However, there can be no assurance that these increases will occur.

High Yield Fixed Income

High yield fixed income securities, also known as “junk bonds”, are considered speculative, involve greater risk of default and tend to be more volatile than investment grade fixed income securities.

Municipal Fixed Income

Income generated from an investment in a municipal bond 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.

Equity

Investing in stock securities involves volatility risk, market risk, business risk, and industry risk. The prices of stocks fluctuate. Companies paying dividends can reduce or cut payouts at any time. Volatility risk is the chance that the value of a stock will fall. Market risk is the chance that the prices of all stocks will fall due to conditions in the economic environment. Business risk is the chance that a specific company's stock will fall because of issues affecting it such as the way the company is managed. Industry risk is the chance that a set of factors particular to an industry group will adversely affect stock prices within the industry.

Small / Mid Cap Equity

Stocks of small and medium-sized companies entail special risks, such as limited product lines, markets, and financial resources, and greater market volatility than securities of larger, more established companies.

International / Emerging Markets Equities

Foreign investing involves certain risks not typically associated with investments in domestic corporations and obligations issued by the U.S. government, such as currency fluctuations and controls, restrictions on foreign investments, less governmental supervision and regulation, less liquidity and the potential for market volatility and political instability. In addition, the securities markets of many of the emerging markets are substantially smaller, less developed, less liquid and more volatile than the securities of the U.S. and other more developed countries.

Structured Investments

An investment in structured investments involves risks. These risks can include but are not limited to: fluctuations in the price, level or yield of underlying asset(s), interest rates, currency values and credit quality, substantial loss of principal, limits on participation in appreciation of underlying asset(s), limited liquidity, credit risk, and/or conflicts of interest. Many structured investments do not pay interest or guarantee a return above principal at maturity. Investors should read the security's offering documentation prior to making an investment decision.

Morgan Stanley Wealth Management Global Investment Committee:

Morgan Stanley Wealth Management Global Investment Committee provides guidance on asset allocation recommendations through the creation and maintenance of the model portfolios called the GIC Asset Allocation Models. The GIC Asset Allocation Models have both strategic allocations (seeking to maximize returns in the long run) and tactical allocations (seeking to maximize returns over a shorter period). The asset allocation recommendations in the GIC Asset Allocation Models can then be implemented by us in either a brokerage account or an investment advisory account, tailored to your specific financial needs and situation, your risk tolerance and subject to any reasonable investment restrictions imposed by you.

The GIC was formed in August 2009 and is currently made up of senior professionals from Morgan Stanley and its affiliates, Morgan Stanley & Co. LLC and Morgan Stanley Investment Management Inc. The GIC Asset Allocation Models are not available to be directly implemented as part of an investment advisory service and should not be regarded as a recommendation of any Morgan Stanley investment advisory service. The GIC Asset Allocation Models do not represent actual trading or any type of account or any type of investment strategies and none of the fees or other expenses (e.g. commissions, mark-ups, mark-downs, advisory fees, fund expenses) associated with actual trading or accounts are reflected in the GIC Asset Allocation Models which, when compounded over a period of years, would decrease returns.

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The investments listed may not be appropriate for all investors. Morgan Stanley Smith Barney LLC recommends that investors independently evaluate particular investments and encourages investors to seek the advice of a Financial Advisor. The appropriateness of a particular investment will depend upon an investor's individual circumstances and objectives.

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