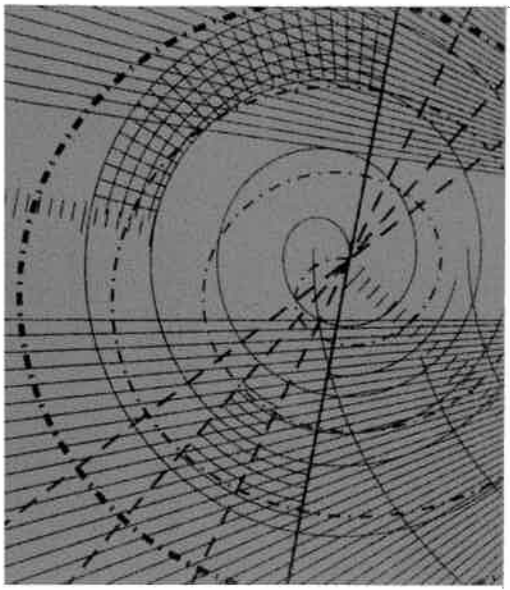
MorganStanley
SmithBarney



BRIEFING

Alternative Investments Research

CHALLENGES IN CONDUCTING ANALYSIS ON ALTERNATIVE INVESTMENTS

Conducting manager research on alternative investments, funds of funds and private equity introduces special complexities and risks for investors who may previously have invested exclusively in "traditional" investment products. Constructing an investment portfolio that includes alternative investments can present a formidable challenge.

Regardless of each investor's needs and objectives, prudent research into alternative investment managers, their products and strategies can benefit all types of investors.

The identification of appropriate alternative investment entities is closely intertwined with each investor's overall asset allocation and risk-budgeting process. Given the vast array of alternative investment offerings available, selecting vehicles for an individual or institutional portfolio requires considerable skill, a disciplined process and experienced research analysis.

Alternative Investments Research

The complexity of certain alternative investment strategies demands an extensive level of research and evaluation into a series of interlocking issues.

Analysis of alternative investments can require more effort than is typically required for traditional investment vehicles for several reasons, including:

- **Liquidity:** Alternative investments may hold relatively illiquid assets, and investors may commit funds subject to lengthy "lockup periods."
- **Transparency:** Investors may have limited visibility into portfolio holdings, and by extension, risks such as embedded leverage, correlations between investments and conflicts of interest.
- **Reporting:** Financial reports may not be provided regularly to investors, may not be independently audited and may not be produced in compliance with generally accepted accounting principles.
- **Regulatory Oversight:** Alternative investments are often exempt from certain regulatory requirements or constraints that usually apply to traditional investments.
- **Control:** Alternative fund managers often retain an extraordinary degree of control over when and how assets will be returned to investors, and whether all investors within a fund will be treated equally.
- **Complexity:** Increasing competition in the space is driving managers to pursue ever more intricate strategies and complicated or illiquid asset classes, which are often harder to value and more challenging to support operationally.
- **Industry Consolidation:** Due to the need to gain efficiencies of scale in technology and other infrastructure, many investment-management companies have developed larger infrastructures. The resulting increase in complexity can make them more difficult to analyze, and usually requires much greater sophistication in risk management.
- **Sourcing Candidates:** Unlike traditional strategies, publicly available databases are not nearly inclusive of the universe of available fund candidates. Best ideas often come from relationships with industry contacts.

Our Alternative Investments Research team takes a dual approach to evaluating alternative investments, conducting both investment and operations risk reviews.

The investment review evaluates fund strategies and track records, portfolio-manager credentials, risk management and each fund's performance relative to its peers and benchmarks. The operations risk review assesses business risks by evaluating operations infrastructure, legal and regulatory issues, financial reporting, valuation methodologies and process controls.

SOURCING MANAGER CANDIDATES

Alternative investment research begins with the identification of investment managers via several methods, including:

- External industry contacts, capital introduction events, industry conferences, referrals from other managers and analysts' networks
- Unsolicited inquiries from managers
- Referrals from existing clients, institutional consultants and other areas of Morgan Stanley
  Smith Barney, such as trading desks, investment banking, lending, prime brokerage and fund administration
- Databases such as EurekaHedge, AltVest, AsiaHedge, InvestHedge, Absolute Return, Lipper/TASS, HFR and CISDM
- Hedge fund spin-offs
- Media reports

IN-DEPTH INITIAL REVIEWS

Screening

From the various sources mentioned above, an initial universe of managers is created using statistical analytic tools provided by Zephyr Associates Inc. and PerTrac Financial Solutions. The investment analyst utilizes both quantitative screening and qualitative assessment to identify a short list of managers for in-depth due diligence.

Quantitative screening includes conducting peer universe analysis, analyzing risk-adjusted performance, rolling period analysis, drawdown analysis, statistics, etc. The early qualitative assessment is based on initial conference calls or face-to-face meetings and documentation received, including questionnaires.

Examples of some of the criteria used by the investment analysts include:

- Firm and strategy assets under management
- Length of relevant historical track record
- Recent personnel turnover
- Changes in the investment process over time
- Product characteristics such as offering terms and risk/reward profile versus peers

Alternative Investments Research

INVESTMENT DUE DILIGENCE

If the investment manager passes the initial screening process, an on-site visit is the next step. Investment analysts conduct one or more on-site meetings with the fund manager's primary investment decision makers (portfolio managers) and other senior research analysts to assess:

- Fund manager's strategy and investment "edge"
- Risk management process
- Portfolio construction process
- Investment team dynamics and infrastructure
- Management company ownership structure and compensation scheme
- Capacity constraints and transparency considerations
- The investment analysts' quantitative, returns-based review process includes:
- Rolling period returns (return, alpha, beta)
- Risk-adjusted performance (Sortino and Sharpe ratios)
- Drawdown analysis
- Correlation to different hedge fund and traditional indexes
- Skewness, kurtosis
- Downside deviation
- Upside/downside captures

In addition to the standard performance measures listed above, investment analysts consider how each fund might perform under different market conditions such as rising or falling interest rates, widening or contracting credit spreads, periods of reduced liquidity in certain markets and exogenous shocks to the economy that may adversely influence short-term capital market returns. Analysts pay particular attention to performance during previous periods of market stress.

The qualitative assessment begins with a review of the firm's people and organization. We favor managers who demonstrate a stable history with strong investment talent. The following factors are reviewed:

- History and stability of the firm
- Reference and background checks of key professionals
- Firm ownership structure
- Compensation/incentives for key professionals
- Team dynamics
- Personnel turnover and recruiting practices

Next, we delve more deeply into the manager's investment process. Though the alternative investments industry is quickly evolving, we prefer to see consistency and longevity in a manager's investment process. Analysts evaluate the following general criteria:

- Sources of alpha or "investment edge"
- Role of top-down (macro) overlay
- Portfolio construction and asset allocation
- Consistent implementation of stated investment strategy
- Risk management, portfolio or net exposure, positions limits and stop-loss discipline, sector/country exposure limits, leverage and liquidity risks
- Experience handling varying cash flows in a capacity-constrained environment
- Portfolio hedging
- Style and attribution analysis

Finally, the investment analyst evaluates the manager's proprietary research efforts as well as the external sources of research. The review includes an analysis of:

- Process for sourcing and selecting investment opportunities
- Depth and breadth of research process
- Level of industry and local market expertise
- Proprietary databases, systems and analytical tools
- Capabilities and practices in stress testing and scenario analysis
- Front-office technology and information-sharing capabilities

OPERATIONS DUE DILIGENCE

Operational Analysts conduct a separate review of each fund manager's business, typically including: middle- and back-office operations, legal and compliance issues, financial reporting controls, vendor oversight, non-investment staffing and technology infrastructure.

First, documents are typically requested and reviewed including:

- Offering and organizational documents
- Regulatory filings
- Manager and administrator questionnaires
- Procedures for cash movement and control, pricing and compliance
- Service provider agreements
- Compliance policy and code of ethics
- SAS 70 reports from the investment manager and administrator (if available)

During an on-site visit, the operations analyst meets with key back-office and control personnel to evaluate processes and controls over elements such as:

- Trading
- Middle office (trade settlement)
- Finance/accounting
- Cash controls
- Portfolio pricing
- Anti-money-laundering controls
- Investor servicing
- Legal
- Compliance (portfolio and regulatory)
- Technology (infrastructure, data security and disaster recovery)
- Internal audit
- Vendor quality and oversight

The operational analysts typically also interview the fund's administrator and evaluate other service providers, such as prime brokers, custodians, auditors and technology providers.

PRODUCT APPROVAL

Once the investment and operations analysts have completed their reviews, a joint research decision is made whether to recommend a fund. Then, the investment and operations analysts must present their research opinions and recommendations to a senior committee of legal, compliance, risk and business managers before an investment manager can be presented to clients.

ONGOING OVERSIGHT

Ongoing oversight and communication of material facts or concerns to financial service professionals are key elements of our process. Whether it's style drift, late accounting reports, unusual staff turnover in important control functions, or inquiries from regulators, little red flags can signal bigger trouble, which is why managers are monitored on a continual basis.

Ongoing monitoring includes:

- Conducting periodic on-site visits and calls by investment and operational analysts
- Evaluating of portfolio performance
- Monitoring manager communications
- Assessing changes to assets under management, staffing, operational capabilities, investment and risk-management processes and major systems among other issues
- Reviewing financial statements
- Monitoring media reports for information regarding significant developments with the manager
- Evaluating changes to regulations, financial accounting standards, tax laws, legal rulings or other developments that might affect the funds

Alternative Investments Research

If an analyst uncovers material concerns, the research team may make a recommendation that a manager or a fund be placed on "Watch."*

A "Watch" status indicates a meaningful chance a change in recommendation may occur. When a "Watch" is issued, we then conduct analysis to determine whether our recommendation will change. Typically, one or more of the following events/situations will trigger a "Watch":

- Persistent underperformance
- Violation of guidelines
- Significant change in key staff
- Deteriorating relationship with Morgan Stanley Smith Barney, such as a reduction in transparency or access to key managers
- Significant change in assets under management or business plan
- Style drift
- Deterioration in operational resources or controls
- Unexpected or insufficiently explained changes in key service providers
- Litigation or regulatory problems
- Negative findings on a background-check update

Research analysts will monitor the manager closely and if the situation improves, will recommend that the "Watch" be lifted. If the situation continues to deteriorate, we may recommend that clients liquidate their investments in the fund.

* [illegible]

SINGLE MANGER HEDGE FUNDS AND FUNDS OF FUNDS

The Alternative Investment Research team at Morgan Stanley Smith Barney conducts research on a broad range of strategies in both single-manager hedge funds and funds of hedge funds. Single-manager hedge fund strategies include:

- Relative Value: This strategy attempts to take advantage of relative pricing discrepancies between instruments including equities, debt, options and futures. Managers may use mathematical, fundamental or technical analysis to determine misevaluations.
- Event Driven: Investing in opportunities created by significant transactional events, such as spin-offs, mergers, acquisitions, bankruptcy reorganizations, recapitalizations and share buybacks
- Equity Long/Short: A hedge fund trading strategy that seeks to identify companies that have the potential to perform well (the long portfolio) and those that are expected to do poorly (the short portfolio).
- Macro and Managed Futures: This strategy makes leveraged directional bets on the anticipated price movements of stock and bond markets, interest rates, foreign exchange and physical commodities.

Funds of hedge funds invest in multiple, single-manager hedge funds. The strategy designs a diversified portfolio of managers with the objective of significantly lowering the risk of investing with an individual manager. A manager may allocate funds to numerous managers within a single strategy, or with numerous managers in multiple strategies. The investor has the advantage of diversification among managers and styles with significantly less capital than investing with separate managers. Funds of Hedge Funds strategies include:

- Commodities: Strategies that invest using global forward, futures and options markets as the primary investment medium.
- Fixed Income: Invests in arbitrage opportunities through interest rate securities.
- Geographic Focused: Hedge funds that specialize in a particularly region (e.g. Europe or UK) and usually pursue a long/short strategy.
- Global Macro: This strategy makes leveraged directional bets on the anticipated price movements of stock and bond markets, interest rates, foreign exchange and physical commodities. Global macro advisors use a top-down approach and may invest in any markets using any instruments to participate in expected global market movements.
- Multi Strategy: Funds with the ability to invest in strategies across different investment styles.

For more information on our manager research and evaluation process, please speak with your Financial Advisor.

*This list of strategies is an illustration of typical strategies in each broad hedge fund category. This list does not represent the actual hedge fund offerings on the Alternative Investments Platform.

Metropolitan West Total Return

FOCUS LIST RESEARCH REPORT

Summary of Opinion:

- Consulting Group Investment Advisor Research ("CG IAR") has placed Metropolitan West Asset Management's (MetWest) Total Return Fixed Income's strategy on our Focus List. MetWest's investment staff is experienced and the firm's research effort is considered strong. The investment team has implemented their investment process in a consistent manner over time. The firm's investment process allows portfolios to potentially add value through the use of several strategies including yield curve management, sector allocation and issue selection. While the MetWest investment team has been stable and legacy MetWest assets have been growing, the firm has seen significant asset loss across some of the legacy TCW fixed income mandates over the past year.

JIM SZESTOWICKI
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STRATEGY DETAILS

INVESTMENT STYLE:	*Core Plus Fixed Income*
EQUITY SUB-STYLE:	
BENCHMARK:	*Barclays Capital Aggregate Index*
RESEARCH STATUS:	*Focus List*
PRODUCT TYPE:	*Separately Managed Account/Mutual Fund*
TICKER:	*MWTRX*

www.mwamllc.com

STRATEGY DESCRIPTION

MetWest's philosophy incorporates a long-term value discipline emphasizing fundamental bottom-up research. The Total Return Fixed Income strategy seeks to consistently outperform the BC Aggregate Index while maintaining overall risk similar to that of the index.

Focus List		Snapshot				
Investment Capabilities	Business Evaluation	Short-Term Performance Analysis (≤ 3Yrs)	Long-Term Performance Analysis (> 3 Yrs)	Track Record Reliability	Expected Benchmark Sensitivity	Expected Portfolio Turnover
Above Average	Above Average	**Above Expectations**	Above Expectations	**High**	High	High
Average	**Average**	In-Line	**In-Line**	Moderate	**Moderate**	**Moderate**
Needs Improvement	Needs Improvement	Below Expectations	Below Expectations	Low	Low	Low

See Opinion Description at the end of this report.

Positive Attributes

- The fixed income team is comprised of seasoned portfolio managers, risk management analysts and credit analysts with advanced sector experience.
- Comprehensive sector analysis and rigorous credit review.

Points to Consider

- The portfolio may opportunistically invest in below investment grade corporates and non-agency mortgages.
- In implementing its investment process, MetWest utilizes a significant amount of collateralized securities (e.g., ABSs, CMOs, and CMBS). MetWest's research of various structured securities may enable them to use non-benchmark securities as an effective way to add value. MetWest also tends to overweight the credit sector relative to the benchmark, enabling its portfolios to potentially have a yield advantage over the index.
- This product has a high account minimum.

Areas of Concern

- While the MetWest investment team has been stable and legacy MetWest assets have been growing, the firm has seen significant asset loss across some of the legacy TCW fixed income mandates since the merger.

Performance Expectations

- We expect the portfolio to track the benchmark closely through a variety of markets, maintaining a high R^2 and low Tracking Error. However, the portfolio may not track the index that closely during environments when spread sectors significantly underperform treasuries. Over the trailing three-year time period, volatility in the market has led to a high tracking error relative to prior time periods

Performance Opinion

- Although the portfolio significantly underperformed the index during 2008, performance has rebounded sharply during 2009 and 2010. We consider 2008 performance as below expectations given the magnitude of underperformance. However, the portfolio has performed above expectations over trailing 3-year time period and within expectations over the trailing 5- and 10-year time periods.
- CG IAR believes that outside of markets experiencing extreme dislocation, much like that of 2008, this strategy is capable of providing alpha above the benchmark over a full market cycle.

News Summary

- On Friday December 4th, 2009 MetWest announced that they have been acquired by TCW. The transaction closed on February 24, 2010. According to MetWest, they anticipate very little change as they will maintain operational autonomy and they will continue to have investment control over the funds and separate accounts they manage. Tad Rivelle, CIO at MetWest, will become the CIO of TCW's High Grade Fixed Income Group upon close of the transaction. Upon completion of the merger MetWest CEO, David Lippman, will become Group Managing Director and Head of TCW's high grade fixed income business and a member of The TCW Group, Inc. Board of Directors.

Additional Analyst Comments

- The portfolio can invest up to 20% in below-investment grade issues at purchase, but not lower than single B issues. However, due to downgrades in certain economic environments, MetWest could maintain an allocation greater than 20% to high yield and maintain positions downgraded below single B. Typically, high yield exposure has been 5% or less. However, in 2003 the high yield allocation increased to approximately 15% of the portfolio as the portfolio continued to hold investment grade securities that were downgraded to high yield. This strategy typically does not invest in non-US dollar or emerging market securities.
- In implementing its investment process, MetWest utilizes a significant amount of collateralized securities (*e.g.*, ABSs, CMOs, and CMBS). MetWest also tends to overweight the credit sector relative to the benchmark, enabling its portfolios to potentially have a yield advantage over the index.
- Active use of derivatives (primarily futures and options).
- Overall portfolio quality tends to be below that of the benchmark, signifying a higher degree of credit risk relative to the benchmark. While the use of lower quality credits may enhance potential portfolio returns, it also magnifies its overall credit risk or default risk.

Additional News Summary

- None.

Portfolio Traits

Fixed Income	
Range of Holdings	100-300
Max Non-Treasury Issue	2.5%
Commingled Funds	No
Duration Range	+/- 1 year
Maturity Range	0-30 years
Min Avg Credit Quality	AA-
Min Indiv Credit Quality	B
Typical Annual Turnover	70-90%
Invests in Derivatives	Yes
Invests in Muni Bonds	Generally No
Maximum Cash	20%
Typical Cash Position	1-3%

Source: MetWest

Sector Range*	Min	Max	Norm
Treasuries	0	100	10-40
Agencies	0	25	0-5
Pass-Throughs	0	60	20-55
CMBS	0	10	0-10
Asset-Backed	0	30	3-7
Inv Grade Corp	0	50	10-25
Below BBB	0	20	5-15
Foreign	0	0	0
Municipals	0	0	0
Cash	0	20	1-3

**General guideline provided by MetWest.*
Source: MetWest

Investment Capabilities Overview

Portfolio Management Team

- The strategy is team-managed led by Tad Rivelle (the Chief Investment Officer). The generalist portfolio management team is comprised of Tad Rivelle, Laird Landmann, and Steve Kane, who have been working together since the team's genesis in 1992 at Hotchkis and Wiley.
- The generalist portfolio managers make macro allocation decisions (duration target, yield curve exposure, sector weightings, etc.). The specialist portfolio managers focus on specific areas of the bond market (i.e. investment grade corporates, high yield, MBS, structured products, etc.) and seek value in a bottom up manner. On a day-to-day basis, the specialists perform due diligence and fundamental research in their areas of concentration. The generalists and the appropriate specialists come together to form MetWest specific committees who review, cross-examine and approve purchase and sell decisions on an individual security.

Investment Philosophy & Process

- MetWest's fixed income management strategies are formulated according to the firm's long-term fundamental economic outlook. The philosophy incorporates a long-term value discipline emphasizing fundamental bottom-up research. The Total Return Fixed Income strategy seeks to consistently outperform the BC Aggregate Index while maintaining overall risk similar to that of the index.
- According to the firm, the investment process seeks to add value through: (1) duration positioning, (2) yield curve management, (3) sector allocation, (4) quantitative security selection and (5) buy/sell strategies.
- MetWest states that they attempt to add value primarily through sector rotation and yield curve management over a full market cycle.
- Due to MetWest's belief that the fixed income markets are inefficient, portfolio managers execute trades and work out of the trade room with direct lines to Wall Street brokers, market information services and computer analytics in an attempt to add value via trading opportunities.

Summary of Investment Capabilities Opinion

- Although The TCW Group acquired MetWest, Tad Rivelle is the lead investment person on the combined fixed income team. The remaining TCW High Grade Fixed Income investment personnel report to Mr. Rivelle.
- MetWest's investment team is comprised of portfolio managers and analysts that are qualified for their responsibilities both from an academic and experience standpoint. The key members of the investment team are experienced and have significant tenure with the firm. MetWest over time has expanded its investment team to accommodate growth in assets over the past several years.
- MetWest's investment process is a combination of top-down (*i.e.* duration and yield curve management and sector allocation) and bottom-up (*i.e.* issue selection) strategies. MetWest manages its duration to be within ±1 year of the index. The 1-year range enables the manager to actively manage its interest rate exposure and to attempt to reduce interest rate risk. By design, the process allows potential exposure in investment grade and high yield corporates, mortgage-backed, asset-backed securities, commercial mortgage-backed and CMOs. This flexibility enables the manager to potentially generate alpha from active sector rotation and issue selection.

Other Key Items

Decision-Making

- All investment activities are overseen by MetWest's four generalist portfolio managers led by MetWest's Chief Investment Officer, Tad Rivelle. The generalist portfolio managers are primarily responsible for developing a fundamental economic outlook that is used in determining the overall investment strategy, which includes basic duration, yield curve, and sector decisions. Specialist portfolio managers and analysts focus their attention on their respective specialties (*i.e.* treasuries, mortgages, corporates, high yield, asset-backeds, etc.) and are primarily responsible for idea generation within those areas.

Sell Process

- According to the firm, sales are generally prompted by the identification of a more attractive (higher prospective return potential with a similar risk profile) alternative security.
- MetWest states that a security may be sold under the following conditions:
  - Improving/deteriorating credit fundamentals,
  - Changing prepayment/extension risk,
  - Improving/deteriorating liquidity,
  - Change in yield curve or duration positioning,
  - Reallocate to a sector or security that the Committee has identified as offering more relative value.

Track Record Reliability

- Overall, we believe the performance composite for this product is a fair representation of the team and investment process.
- The key members of the investment team have been with the firm for many years and the investment process has not changed.

METROPOLITAN WEST TOTAL RETURN / APRIL 19, 2011

Key Investment Professionals

Investment Team Overview	Position	Area of Coverage	CFA	Advanced Degree From	Experience		
					Career	Firm	Product
Tad Rivelle	CIO, Generalist Portfolio Manager			UCLA	1986	1996	
Laird Landmann	Generalist Portfolio Manager			Chicago	1986	1996	
Steve Kane	Generalist Portfolio Manager		●	Berkeley	1990	1996	
David Lippman	CEO, Generalist Portfolio Manager			Hofstra, JD	1982	2001	
Jamie Farnham	Head of Credit Research			UCLA	1995	2002	

Source: MetWest

Other Key Professionals

Investment Team Overview	Position	Area of Responsibility	CFA	Advanced Degree From	Experience		
					Career	Firm	Product
Chris Scibelli	Managing Director	Client Services		UCLA	1983	1996	

Source: MetWest

Primary Functions of Key Professionals

Name	Security Selection	Security Research	Portfolio Construction	Trading	Client Service	Business Management
Tad Rivelle	●		●		●	●
Laird Landmann	●		●		●	●
Steve Kane	●		●		●	●
David Lippman	●		●		●	●
Jamie Farnham		●			●	●
Chris Scibelli					●	●

Source: MetWest

Business Structure Overview

History/Ownership

- In July 2001, The TCW Group (established in 1971) became a subsidiary of Societe Generale Asset Management (SGAM), the asset management division of Societe Generale (SG)—a French global banking organization.
- In January 2009, SG and Credit Agricole (CA) announced their intention to merge their respective asset management businesses in Europe and Asia. The transaction closed on January 1, 2010. The entity will be majority owned by CA and minority owned by SG. CA also owns a 20% minority stake in The TCW Group, SG's asset management subsidiary in the US.
- On Friday December 4th, 2009 The TCW Group acquired MetWest. The transaction closed on February 24, 2010. MetWest maintains operational autonomy and they continue to have investment control over the funds and separate accounts they manage. As a result of the transaction, Tad Rivelle, CIO at MetWest, became the CIO of TCW's High Grade Fixed Income Group. MetWest CEO, David Lippman, became Group Managing Director and Head of TCW's high grade fixed income business and a member of The TCW Group, Inc. Board of Directors.

Business Plan

- MetWest plans to grow naturally and focus on fixed income management. They have no plans to expand into new asset classes. Additionally they plan to emphasize and invest in proprietary technology that enhances the productivity of the investment team.

Legal/Compliance

- According to MetWest, they have never been the subject of an investigation or fined by the SEC, NASD or any other regulatory office.

Summary of Business Structure Opinion

- On Friday December 4th, 2009 MetWest was acquired by The TCW Group (TCW). MetWest will maintain operational autonomy and they will continue to have investment control over the funds and separate accounts they manage. Tad Rivelle, CIO at MetWest, was named the CIO of TCW's High Grade Fixed Income Group. MetWest CEO, David Lippman, became Group Managing Director and Head of TCW's high grade fixed income business and a member of The TCW Group, Inc. Board of Directors. Investment Advisor Research will continue to monitor the situation as it progresses and we will communicate any updates accordingly.
- MetWest's legacy fixed income strategies have generally been successful in gathering assets over time. The legacy strategies continue to raise assets despite the recent transaction with TCW. Since the announcement of the transaction with TCW on December 4, 2009, many of the legacy TCW mortgage-related strategies have seen significant asset outflows. While outflows have slowed, we remain concerned about potential future outflows.

Other Key Factors

Incentives/Alignment of Interests

- According to MetWest, all investment professionals receive a base salary and an annual bonus. The size of the bonus is determined by the individual's contributions to the firm. Key professionals own stock in the firm and, over time, MetWest's expectation is that the number of equity participants will grow based on individual performance and growth of the firm.

Ownership And Parent Company	
Name of Owner	**Percent Owned**
Employees	100%
Publicly Traded	**Ticker Symbol**
No	

Source: MetWest

Assets Under Management ($ Billions)

Year	Firm	Strategy/Product
2010	116*	23/11.3
2009	29	18/10.5
2008	24	14/8.6
2007	25	13/8.3
2006	20	9/6.9
2005	16	8/6.6

**Total firm assets include combined TCW and MetWest assets under management.*

Source: MetWest

OPINION OVERVIEW DESCRIPTION

Investment Capabilities - Represents CG IAR's opinion of the investment manager's investment capabilities with respect to the product under evaluation. This section covers the areas of quality of investment professionals, portfolio management, research and process execution. As these areas are not mutually exclusive, but rather interrelated, it is important to render a cohesive opinion on these areas of an organization. This section has three potential opinion outcomes: Above Average, Average and Needs Improvement. Above Average conveys that CG IAR has a high degree of confidence and conviction in a manager's investment capabilities. An opinion of Average denotes that, while CG IAR has a generally favorable view, it may have some concerns about the investment manager's investment capabilities. An opinion rating of Needs Improvement generally indicates that CG IAR has material concerns about the investment manager's overall investment capabilities. For example, this could be the result of sizable personnel departures, poor execution of stated investment discipline or a limited research effort.

Business Evaluation - Represents CG IAR's opinion of the state of the investment manager's overall business condition. This area reviews items such as ownership structure, trends in assets under management, legal and/or compliance issues, investment professional incentives and trading policies. This area has three potential opinion outcomes: Above Average, Average and Needs Improvement. Above Average conveys that CG IAR has a high degree of confidence and conviction in a manager's overall business structure and believes that there are limited to no material issues. An opinion of Average denotes that, while CG IAR has a generally favorable view, it may have some concerns about the investment manager's business structure. An opinion rating of Needs Improvement generally indicates that CG IAR has material concerns about the investment manager's overall business structure. For example, this could be the result of what we believe to be material legal and/or compliance issues, material asset loss, ownership issues or ineffective incentives for the investment professionals.

Short-Term & Long-Term Performance Analysis - The opinion for performance is broken into two components: 1) Short-Term Performance Analysis represents CG IAR's opinion of the investment product's performance typically over a time period of the trailing three years or less, 2) Long-Term Performance Analysis represents CG IAR's opinion of the investment product's performance typically over a time period of more than the trailing three years. These areas have three potential opinion outcomes: Above Expectations, In-Line and Below Expectations. Above Expectations conveys that CG IAR believes the investment product has performed better than expected given investment biases and market conditions, while an opinion of In-Line denotes that CG IAR believes the investment product has performed as expected given investment biases and market conditions. A rating of In-Line should not be interpreted negatively, but rather that the investment product is performing as expected. An opinion rating of Below Expectations generally indicates that CG IAR has concerns about the investment product's overall investment performance given our knowledge of the investment manager's process and the overall market conditions.

Track Record Reliability - Represents CG IAR's opinion of the overall integrity of the investment performance displayed to clients or potential clients. This area takes into consideration items such as portfolio manager tenure on a respective strategy, construction of the performance composite, and consistency in the execution of a stated investment process. This area has three potential opinion outcomes: High, Moderate and Low. High conveys that CG IAR believes the investment performance track record has a high degree of integrity and is representative of what investors could expect over time, while an opinion of Moderate denotes that CG IAR may have some concerns as it relates to the historical performance track record. An opinion rating of Low generally indicates that CG IAR has material concerns about the investment product's historical performance track record. For example, if an investment product has had a long standing portfolio manager that has delivered solid performance results over the last five years relative to a benchmark and the portfolio manager is replaced by a new portfolio manager that instills a new investment process, CG IAR may consider the historical performance track record to be non-representative of the new investment discipline.

Expected Benchmark Sensitivity - Represents CG IAR's opinion of how closely an investment product's performance is expected to "track" the investment performance of CG IAR's designated performance benchmark for a particular investment product. This area evaluates the historical investment performance tracking of a given investment product relative to a respective benchmark as well as the investment manager's current approach to active portfolio management. In evaluating benchmark sensitivity, CG will use relevant statistical measures such as tracking error and R-Squared as well as portfolio construction guidelines such as economic sector constraints and benchmark relative position sizing. This area has three potential opinion outcomes: High, Moderate and Low. In CG IAR's opinion, High conveys that a product is anticipated to be managed with a high degree of emphasis on its benchmark with relatively tight control over the product's active weights relative to that benchmark. High benchmark sensitivity does not mean wide deviations from the benchmark will not happen, but that the investment manager seeks to reduce them. Moderate conveys that a product's management is anticipated to have some amount of benchmark sensitivity, but is able to make meaningful, but controlled, allocations away from a benchmark. Low denotes that a product places little to no emphasis on its assigned benchmark. Performance from a month-to-month and year-to-year basis may deviate significantly from its benchmark.

Expected Portfolio Turnover - Represents CG IAR's opinion of how actively the portfolio is managed from the perspective of trading activity (purchases, sales, additions, trims, etc.). We do not view these ratings positively or negatively, but render an opinion for this category so Financial Advisors, Private Wealth Advisors, Private Bankers and clients have some idea as to the overall level of activity that takes place in a given portfolio. High activity may result in a portfolio that is less tax-efficient for taxable clients, whereas Low activity may result in a more tax efficient portfolio for taxable clients. This area has three potential opinion outcomes: High, Moderate and Low. In CG IAR's opinion, High conveys an investment product that is likely to have more than 90% turnover on an annual basis, while Moderate indicates expected annual portfolio turnover in the range of 30% - 90% and Low indicates expected annual portfolio turnover of less than 30%.

DEFINITIONS

Barclays Capital Aggregate Index - The U.S. Aggregate Index covers the dollar-denominated investment-grade fixed-rate taxable bond market, including Treasuries, government-related and corporate securities, MBS pass-through securities, asset-backed securities, and commercial mortgage-backed securities. These major sectors are subdivided into more specific sub-indices that are calculated and published on an ongoing basis. Total return comprises price appreciation/depreciation and income as a percentage of the original investment. This index is rebalanced monthly by market capitalization.

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GLOSSARY OF TERMS

5 Yr Forward EPS Growth Rate - the annualized percentage change between the most recent actual fiscal year EPS and the 5-year EPS consensus analyst forecast.

Adjusted Trailing P/E - P/E (price-to-earnings) is measured by taking the current price of a stock divided by the most recent 12 months trailing earnings per share. When calculating Adjusted Trailing P/E, the P/Es below 2.0 are shown as N/A and excluded from the calculation. As a result, Adjusted Trailing P/E can bias the aggregate P/E value higher than would normally be reported. The Adjusted Trailing P/E for the portfolio is a weighted average for the stocks in the portfolio (i.e. the results for different securities are weighted according to the proportion of the portfolio represented by each security).

ADRs - American Depositary Receipts are U.S. dollar denominated forms of equity ownership in non-U.S. companies. These shares are issued against the local market shares held in the home market. ADRs are typically listed on U.S. exchanges such as NYSE, AMEX and NASDAQ.

Alpha - measures the difference between a portfolio's actual returns and its expected performance, given its level of risk as measured by Beta. A positive Alpha figure indicates the portfolio has performed better than its Beta would predict. A negative Alpha indicates the portfolio's underperformance given the expectations established by the Beta. The accuracy of the Alpha is therefore dependent on the accuracy of the Beta. Alpha is often viewed as a measurement of the value added or subtracted by a portfolio's manager.

Asset-backed securities (ABS) - securities backed by a pool of assets, typically loans or accounts receivable, originated by banks, specialty finance companies, or other credit providers.

Average Capitalization - the total capitalization of the portfolio divided by the number of securities in a portfolio.

Average Coupon - the weighted average interest rate, expressed as a percentage of face value, paid on the bonds in the portfolio.

Batting Average - measures how frequently a portfolio outperforms its benchmark on a quarterly basis. The statistic is obtained by dividing the number of quarters in which the portfolio outperformed the total return of the benchmark by the total number of quarters. For example, a portfolio with a batting average of 60% has outperformed the index more than it has underperformed.

Beta - measures a portfolio's volatility relative to its benchmark. A portfolio with a Beta higher than 1.0 has historically been more volatile than the benchmark, while a portfolio with a Beta lower than 1.0 has been less volatile. The accuracy of the Beta is dependent on R-Squared.

Commercial Mortgage-Backed Security (CMBS) - mortgage-backed security that is secured by the loan on a commercial property.

Collateralized Mortgage Obligation (CMOs) - mortgage-backed security that creates separate pools of pass-through payments for different classes of bondholders with varying maturities, called tranches. The repayments from the pool of pass-through securities are used to retire the bonds in the order specified by the bonds' prospectus.

Convexity - measures the sensitivity of a bond's duration to changes in interest rates. Convexity can be positive or negative. Unlike most fixed income securities, bonds with negative convexity tend to fall in value as interest rates decline and vice versa.

Credit Quality Rating - weighted average of the assessments of credit worthiness given by credit rating agencies such as Standard & Poor's Ratings Services, Moody's Investors Service, and Fitch Ratings to bonds in the portfolio. Credit rating agencies evaluate issuers and assign ratings based of their opinions of the issuer's ability to pay interest and principal as scheduled.

Down Capture Ratio - the ratio of the portfolio's overall performance to the benchmark's overall performance, considering only periods that are negative in the benchmark. A Down Capture Ratio of less than 1.0 indicates a portfolio that outperforms the relative benchmark in the benchmark's negative quarters and preserves more of the portfolio's value during down markets.

Effective Duration - a duration calculation for bonds with embedded options. Effective duration takes into account that expected cash flows will fluctuate as interest rates change.

Excess Returns - represents the average quarterly total returns of the portfolio relative to its benchmark. A portfolio with a positive Excess Return has on average outperformed its benchmark on a quarterly basis. This statistic is obtained by subtracting the benchmark return from the portfolio's return.

Historical EPS Growth - calculated by regressing over time the quarterly earnings per share for the past 20 quarters to determine the share's historical growth rate in earnings. The quarterly historical growth rate for each share is then annualized and the Historical EPS Growth shown in this report is the weighted average of these results.

Information Ratio - represents the Excess Return divided by the Tracking Error. It provides a measure of the historical consistency of the portfolio's overperformance or underperformance relative to its benchmark. A higher, positive Information Ratio suggests that the portfolio's excess returns may have been the result of making measured or moderate bets against the relevant benchmark's risk exposures.

Long Term EPS Growth Rate - analyst consensus of expected annual increase in operating earnings per share over the company's next full business cycle - usually three to five years. The Long Term EPS Growth Rate for the portfolio is a weighted average of the results for the individual stocks in the portfolio.

Maturity - the weighted average portfolio length of time until the principal amount of a bond must be repaid.

Median Cap by Portfolio Weight - the midpoint of market capitalization (market price multiplied by shares outstanding) of a portfolio's stock holdings, weighted by the proportion of the portfolio's assets invested in each stock. Stocks representing half of the portfolio's holdings are above the median, while the rest are below it.

Modified Adjusted Duration - measures the sensitivity of the percentage change in the price of a bond portfolio for a given change in yield, shown as a number of years to maturity. This figure is calculated as the weighted average of the durations of the securities in the portfolio.

Mortgage-backed securities (MBS) - securities backed by a mortgage loan or a pool of mortgage loans secured by real property. Investors receive payments of interest and principal that are derived from payments received on the underlying mortgage loans.

Pass-Through Security - security backed by a package of assets. A servicing intermediary collects the monthly payments from issuers and, after deducting a fee, remits or passes them through to the holders of the pass-through security.

P/E - the current price of a stock divided by the most recent 12 months trailing earnings per share. P/E for the portfolio is a weighted average of the results for the individual stocks in the portfolio.

R-Squared (R2) - represents the percentage of the volatility of returns that is attributable to movements of the benchmark. It is a measure of "co-movement" between portfolio returns and benchmark returns. The closer the portfolio's R2 is to 100%, the more closely the portfolio correlates to, or follows, the benchmark. Generally, highly diversified portfolios have higher R2 percentages.

Rolling Annualized Performance - measures the consistency of a portfolio's performance. For example, with three-year annualized returns rolled annually, the return shown for a given period is actually an annualized return for a particular year and the previous two years. Since performance is assessed over longer periods, the returns rolled annually give a better indication of trends.

Sharpe Ratio - measures a portfolio's rate of return based on the risk it assumed and is often referred to as its risk-adjusted performance. Using Standard Deviation and returns in excess of the returns of T-bills, it determines reward per unit of risk. This measurement can help determine if the portfolio is reaching its goal of increasing returns while managing risk.

Standard Deviation - quantifies the volatility associated with a portfolio's returns. The statistic measures the variation in returns around the mean return. Unlike Beta, which measures volatility relative to the aggregate market, Standard Deviation measures the absolute volatility of a portfolio's return.

Tracking Error - represents the Standard Deviation of the Excess Return. This provides a historical measure of the variability of the portfolio's returns relative to its benchmark. A portfolio with a low Tracking Error would have quarterly Excess Returns that have exhibited very low volatility.

Trailing P/E - is measured by taking the current price of a stock divided by the most recent 12 months trailing earnings per share. The Trailing P/E for the portfolio is a weighted average of the results for the individual stocks in the portfolio.

Up Capture Ratio - measures the portfolio's overall performance to the benchmark's overall performance, considering only periods that are positive in the benchmark. An Up Capture Ratio of more than 1.0 indicates a portfolio that outperforms the relative benchmark in the benchmark's positive quarters.

Weighted Capitalization - the average portfolio market capitalization (market price multiplied by shares outstanding), weighted by the proportion of the portfolio's assets invested in each stock.

Year 1 EPS Growth Yield - analyst consensus of Year 1 EPS forecast minus last fiscal year's reported EPS, normalized by dividing by current price. The Year 1 EPS Growth Yield for the portfolio is a weighted average of the results for the individual stocks in the portfolio.

Yield to Worst - The lowest potential yield that can be received on a bond without the issuer actually defaulting. The yield to worst is calculated by making worst-case scenario assumptions on the issue by calculating the returns that would be received if provisions, including prepayment, call or sinking fund, are used by the issuer.

Source: CG IAR

IMPORTANT DISCLOSURES

Report for Use Only in Investment Advisory Programs

This report is only to be used in Morgan Stanley Smith Barney investment advisory programs and not in connection with brokerage accounts.

CG IAR Services Only Apply to Certain Investment Advisory Programs

CG IAR evaluates certain investment products for the purposes of some - but not all - of Morgan Stanley Smith Barney's investment advisory programs (as described in more detail in the applicable Form ADV Disclosure Document for Morgan Stanley Smith Barney LLC). If you do not invest through one of these investment advisory programs, Morgan Stanley Smith Barney is not obligated to provide you notice of any CG IAR status changes even though it may give notice to clients in other programs.

Focus List, Approved List and Tactical Opportunities List; Watch Policy

CG IAR uses two methods to evaluate investment products in applicable advisory programs: Opinion Research (and investment products meeting this research standard are described as being on the Focus List) and Access Research (and investment products meeting this research standard are described as being on the Approved List). In general, Opinion Research entails a more thorough evaluation of an investment product than Access Research. Sometimes an investment product may be evaluated using the Opinion Research process but then placed on the Approved List instead of the Focus List.

Investment products may move from the Focus List to the Approved List, or vice versa. CG IAR may also determine that an investment product no longer meets the criteria under either research process and will no longer be recommended in investment advisory programs (in which case the investment product is given a "Not Approved" status).

CG IAR has a "Watch" policy and may describe a Focus List or Approved List investment product as being on "Watch" if CG IAR identifies specific areas that (a) merit further evaluation by CG IAR and (b) may, but are not certain to, result in the investment product becoming "Not Approved". The Watch period depends on the length of time needed for CG IAR to conduct its evaluation and for the investment manager or fund to address any concerns. CG IAR may, but is not obligated to, note the Watch status in this report with a "W" or "Watch" next to the "Status" on the cover page.

Certain investment products on either the Focus List or Approved List may also be recommended for the Tactical Opportunities List based in part on tactical opportunities existing at a given time. The investment products on the Tactical Opportunities List change over time.

For more information on the Focus List, Approved List, Tactical Opportunities List and Watch processes, please see the applicable Form ADV Disclosure Document for Morgan Stanley Smith Barney LLC. Your Financial Advisor, Private Wealth Advisor or Private Banker can also provide upon request a copy of a paper entitled "Manager Research and Selection: A Disciplined Process".

No Obligation to Update

Morgan Stanley Smith Barney has no obligation to update you when any information or opinion in this report changes.

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Consider Your Own Investment Needs

This report is not intended to be a client-specific suitability analysis or recommendation, an offer to participate in any investment, or a recommendation to buy, hold or sell securities (includes securities of Citigroup, Morgan Stanley, and/or their affiliates if shown in this report). Do not use this report as the sole basis for investment decisions. Do not select an asset class or investment product based on performance alone. Consider all relevant information, including your existing portfolio, investment objectives, risk tolerance, liquidity needs and investment time horizon.

Performance and Other Portfolio Information

General

Past performance does not guarantee future results. There is no guarantee that this investment strategy will work under all market conditions. As a result of recent market activity, current performance may vary from the performance shown in this report.

Benchmark index

Depending on the composition of your account and your investment objectives, any indices shown in this report may not be an appropriate measure for comparison purposes and are therefore presented for illustration only.

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. Past performance of indices does not guarantee future results. You cannot invest directly in an index.

Performance of indices may be more or less volatile than any investment product. The risk of loss in value of a specific investment (such as with an investment manager or in a fund) is not the same as the risk of loss in a broad market index. Therefore, the historical returns of an index will not be the same as the historical returns of a particular investment product.

Other data

Portfolio analysis may be based on information on less than all of the securities held in the portfolio. For equity portfolios, the analysis typically reflects securities representing at least 95% of portfolio assets. This may differ for other strategies, including those in the fixed income and specialty asset classes, due to availability of portfolio information.

Other data in this report is accurate as of the date this report was prepared unless stated otherwise. Data in this report may be calculated by the investment manager, Morgan Stanley Smith Barney or a third party service provider, and may be based on a representative account or a composite of accounts.

Securities holdings

Holdings are subject to change daily, so any securities discussed in this report may or may not be included in your portfolio if you invest in this investment product. Your portfolio may also include other securities in addition to or instead of any securities discussed in this report. Do not assume that any holdings mentioned were, or will be, profitable.

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Past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. To obtain performance information, current to the most recent month-end, please contact the fund directly at the website set out on the cover page of this report. There is no guarantee that this investment strategy will work under all market conditions. As a result of recent market activity, current performance may vary from the performance shown in this report.

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Sources of Data

Material in this report has been obtained from sources that we believe to be reliable, but we do not guarantee its accuracy, completeness or timeliness. Third party data providers make no warranties or representations relating to the accuracy, completeness or timeliness of the data they provide and are not liable for any damages relating to this data.

ASSET CLASS AND OTHER RISKS

Investing in **stocks, mutual funds** and **exchange-traded funds ("ETFs")** entails the risks of market volatility. The value of all types of investments may increase or decrease over varying time periods.

Nondiversification: For a portfolio that holds a concentrated or limited number of securities, a decline in the value of these investments would cause the portfolio's overall value to decline to a greater degree than a less concentrated portfolio. 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.

IPO securities: Investment in initial public offerings (IPO) exposes the portfolio to additional risks associated with companies that have little operating history as public companies, as well as to the risks inherent in those sectors of the market where these new issuers operate.

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.

International securities may carry additional risks, including foreign economic, political, monetary and/or legal factors, changing currency exchange rates, foreign taxes and differences in financial and accounting standards. International investing may not be for everyone. These risks may be magnified in emerging markets.

Small- and mid- capitalization companies may lack the financial resources, product diversification and competitive strengths of larger companies. The securities of small capitalization companies may not trade as readily as, and be subject to higher volatility than, those of larger, more established companies.

Bonds are subject to interest rate risk. When interest rates rise, bond prices fall; generally the longer a bond's maturity, the more sensitive it is to this risk. Bonds may also be subject to call risk, which allows the issuer to retain the right to redeem the debt, fully or partially, before the scheduled maturity date. Proceeds from sales prior to maturity may be more or less than originally invested due to changes in market conditions or changes in the credit quality of the issuer.

Ultra-short bond funds 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.

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.

Real estate investments: property values can fall due to environmental, economic or other reasons, and changes in interest rates can negatively impact the performance of real estate companies.

Derivatives, in general, involve special risks and costs that may result in losses. The successful use of derivatives requires sophisticated management, in order to manage and analyze derivatives transactions. The prices of derivatives may move in unexpected ways, especially in abnormal market conditions. In addition, correlation between the particular derivative and an asset or liability of the manager may not be what the investment manager expected. Some derivatives are "leveraged" and therefore may magnify or otherwise increase investment losses. Other risks include the potential inability to terminate or sell derivative positions, as a result of counterparty failure to settle or other reasons.

Mortgage-backed securities ("MBS"), which include collateralized mortgage obligations ("CMOs"), also referred to as real estate mortgage investment conduits ("REMICs"), may not be suitable for all investors. There is the possibility of early return of principal due to mortgage prepayments, which can reduce expected yield and result in reinvestment risk. Conversely, return of principal may be slower than initial prepayment speed assumptions, extending the average life of the security up to its listed maturity date (also referred to as extension risk). Additionally, the underlying collateral supporting MBS may default on principal and interest payments. Investments in subordinated MBS involve greater credit risk of default than the senior classes of the same issue. MBS are also sensitive to interest rate changes which can negatively impact the market value of the security. During times of heightened volatility, MBS can experience greater levels of illiquidity and larger price movements.

Commodities: The commodities markets may fluctuate widely based on a variety of factors including, but not limited to, 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, technological change and weather; and the price volatility of a commodity.

Alternative/hedged strategies may use 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/hedged strategies are not appropriate for all investors. A short sales strategy includes the risk of loss due to an increase in the market value of borrowed securities. Such a strategy may be combined with purchasing long positions in an attempt to improve portfolio performance. A short sales strategy may result in greater losses or lower positive returns than if the portfolio held only long positions, and the portfolio's loss on a short sale is potentially unlimited. The use of leverage can magnify the impact of adverse issuer, political, regulatory, market, or economic developments on a company. A decrease in the credit quality of a highly leveraged company can lead to a significant decrease in the value of the company's securities. In a liquidation or bankruptcy, a company's creditors take precedence over the company's stockholders.

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If any investments in this report are described as "tax free", the income from these investments may be subject to state and local taxes and (if applicable) the federal Alternative Minimum Tax. Realized capital gains on these investments may be subject to federal, state and local capital gains tax.

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