THE VECTOR GROUP *at* MORGAN STANLEY

Vec·tor (VEK-ter) n.
magnitude and direction
—Miriam Webster Dictionary

PORTFOLIO MANAGEMENT TEAM:

M. David Sherrill, CFA®, CMT®
Managing Director
Senior Portfolio Management Director
Financial Advisor

Daniel Sheldon
Financial Advisor

Michael J. Belsky
Senior Vice President
Senior Portfolio Management Director
Family Wealth Advisor
Financial Advisor

1290 Avenue of the Americas
12th Floor
New York, New York 10104
tel: (212) 893-7516
toll-free: (800) 827-1512
fax: (212) 705-4513

www.vectorgroupfinancial.com

As of December 31, 2017

Morgan Stanley

Vector Factor Portfolio*

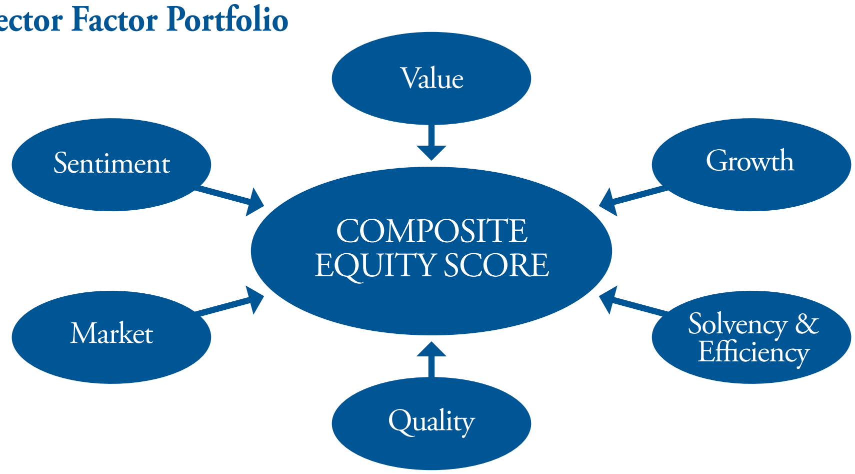
Investment Objective

The Vector Factor Strategy's primary objective is to realize capital appreciation in excess of its primary benchmark, the S&P 500. It is suitable for investors who are seeking long term price appreciation. The portfolio will always remain fully invested with a maximum of 50 positions and should be considered a core US equity strategy.

Investment Process

Beginning by screening for the top quintile (top 20%) of Russell 3000 constituents by market capitalization, our proprietary factor based scoring system divides the remaining equities into 5 groups. The top group is then optimized into a 50 constituent or less portfolio targeting an Active Risk of 5.5%. The maximum position size is 5.00% while the minimum is 0.50%. The portfolio does not attempt to overweight or underweight economic sectors relative to its primary benchmark. Instead, it seeks to generate excess returns through superior security selection.

Vector Factor Portfolio



Portfolio Characteristics*

	VECTOR FACTOR PORTFOLIO	S&P 500
Weighted Average Market Cap	$63.53 Billion	$197.25 Billion
Historical 3 Year EPS Growth	36.90%	10.80%
Historical 3 Year Sales Growth	8.60%	4.40%
Estimated 3-5 Yr. EPS Growth	9.00%	12.00%
ROE	29.80%	19.30%
Enterprise Value/EBITDA*	10.6x	13.1x
Price/Earnings*	10.6x	23.4x
Price/ Cash Flow*	12.5x	13.7x
Price/ Sales*	1.8x	2.4x

Source: FactSet Research Systems
**Weighted Harmonic Averages*
All data as of 12/31/2017

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LT Debt/Capital- A measurement of a company's financial leverage, calculated as the company's debt divided by its total capital. Debt includes all short-term and long-term obligations. Total capital includes the company's debt and shareholders' equity, which includes common stock, preferred stock, minority interest and net debt.

Price/Earnings- A valuation ratio of a company's current share price compared to its per-share earnings.

Price/Cashflow- A valuation ratio of a company's current share price compared to its level of annual cash flow.

Price/Book- A valuation ratio of a company's current share price compared to its book value.

Price/Sales- A valuation ratio of a company's current share price compared to its per-share earnings.

EPS- The portion of a company's profit allocated to each outstanding share of common stock. Earnings per share serves as an indicator of a company's profitability.

Market Cap- Market capitalization, otherwise known as market cap, is a measure of a company's size at a given time.

S&P 500 Index is an unmanaged, market value-weighted index of 500 stocks generally representative of the broad stock market. An investment cannot be made directly in a market index.

Russell 3000® Index measures the performance of the 3,000 largest U.S. companies based on total market capitalization, which represents approximately 98% of the investable U.S. equity market. An investment cannot be made directly in a market index.

Morgan Stanley Smith Barney LLC member SIPC

*DISCRETIONARY PORTFOLIO MANAGEMENT PROGRAM - *This program was established in 1979 to provide individual investors with a level of personalized portfolio management typically reserved for major institutional investors. All portfolios are managed individually on a fully discretionary basis by Financial Advisors at Morgan Stanley who have been qualified by the firm to independently manage client assets based on training, experience and commitment to service.*

As of December 31, 2017

CRC# 1736080