THE VECTOR GROUP *at* MORGAN STANLEY

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

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As of December 31, 2017

Morgan Stanley

Vector Long Term Growth Portfolio

Investment Objective

The Vector Long Term Growth Strategy's primary objective is to realize capital appreciation with a secondary goal of low to moderate current income. It is suitable for investors who are seeking long term price appreciation. Typically, the portfolio will be fully invested with 25-35 positions and could be considered a core US equity strategy.

Investment Process

Using a bottom-up approach, stocks purchased in the portfolio are filtered for attractively valued companies with solid, long term prospects. Stocks in the portfolio will generally show strong capital ratios, sales growth and free cash flow. Price to Sales, Price to Book Value, and Long Term Debt to Capital ratios are also considered for inclusion. Although the portfolio is dominated by individual companies, broad based sector and/or size ETFs are included to smooth out volatility and add diversification.

Stock Sector Breakdown

	VECTOR LONG TERM GROWTH PORTFOLIO	S&P 500[1]
Consumer Discretionary	21.25%	12.20%
Consumer Staples	4.00%	8.20%
Energy	0.00%	6.07%
Financials	15.00%	14.78%
Health Care	10.00%	13.84%
Industrials	10.00%	10.26%
Information Technology	31.50%	23.76%
Materials	8.00%	3.00%
Real Estate	0.00%	2.89%
Telecommunication Services	0.00%	2.06%
Utilities	0.00%	2.93%

**Based on GICS® sectors*
Source: FactSet Research Systems
The weightings for each sector of the index are rounded to the nearest tenth of a percent; therefore, the aggregate weights for the index may not equal 100%. Cash allocation has been excluded; therefore, the aggregate weights for the portfolio may not equal 100%.

Portfolio Characteristics

	VECTOR LONG TERM GROWTH PORTFOLIO	S&P 500[1]
Weighted Average Market Cap	$183.46 Billion	$197.25 Billion
Historical 3 Year EPS Growth	27.30%	10.80%
Historical 3 Year Sales Growth	8.40%	4.40%
LT Debt/Capital	38.10%	44.60%
Price/Book	3.6x	3.2x
Price/Earnings	24.2x	23.4x
Price/ Cash Flow	14.8x	13.7x
Price/ Sales	1.8x	2.4x

Source: FactSet Research Systems
All data as of 12/31/2017

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DISCLOSURES:

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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.

As of December 31, 2017

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