

# 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](http://www.vectorgroupfinancial.com)

As of December 31, 2017

Morgan Stanley

## Vector Equity Income Growth Portfolio

### Investment Objective

The Vector Equity Income Strategy's primary objective is to generate current income with a secondary goal of reduced volatility relative to its benchmark, the S&P 500. Typically, the portfolio will be fully invested with 20-30 positions and could be considered a core US equity strategy for a more conservative investor.

### Investment Process

Using a bottom-up approach, stocks purchased in the portfolio are filtered for attractively valued companies with above market yield and reduced volatility. Stocks in the portfolio will generally show strong cash flow generation, sustainable above-market payout ratios, and long track records of dividend growth. Although the portfolio is dominated by individual companies, broad-based closed-end funds can be included to increase income potential.

### Stock Sector Breakdown

	VECTOR EQUITY INCOME MODEL PORTFOLIO	S&P 500*
Consumer Discretionary	5.00%	12.20%
Consumer Staples	20.00%	8.20%
Energy	0.00%	6.07%
Financials	5.00%	14.78%
Health Care	10.00%	13.84%
Industrials	20.00%	10.26%
Information Technology	15.00%	23.76%
Materials	5.00%	3.00%
Real Estate	0.00%	2.89%
Telecommunication Services	5.00%	2.06%
Utilities	15.00%	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 EQUITY INCOME MODEL PORTFOLIO	S&P 500
Weighted Average Market Cap	\$97.93 Billion	\$197.25 Billion
Dividend Yield	3.33%	1.83%
Payout Ratio	63.25%	28.72%
Dividend Coverage Ratio	2.0x	3.1x
Price/Book	4.0x	3.2x
Price/Earnings	20.9x	23.4x
Price/ Cash Flow	12.5x	13.7x
Price/ Sales	2.7x	2.4x

Source: FactSet Research Systems  
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.

Morgan Stanley Smith Barney LLC member SIPC

*As of December 31, 2017*

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