Morgan Stanley

The University Model

Developed and Managed by the Willis Group with Morgan Stanley & Co.

The University Model (UNIV) was created for individual investors and smaller institutions with at least a five-year time frame for investment. Our model portfolio's philosophy is based on research produced by the National Association of College and University Business Officers (NACUBO). NACUBO serves more than 2,500 colleges and universities and publishes extensive data on endowments, including the "large institution mean." In addition to utilizing the research of NACUBO, we draw heavily on the prolific work of the Yale Investment Office.

Why Yale? - The Power of Mean Variance Optimization

Yale and the large institutions tracked by NACUBO rely heavily on "mean variance analysis." This theoretical framework, developed by Nobel laureates Harry Markowitz and James Tobin at Yale's Cowles Foundation, identifies efficient portfolios, which for a given level of risk deliver the highest possible return. In 1988, Yale launched a broadly diversified investment strategy focused on mean variance optimization. Since then, it has led the highly competitive academic world in performance. According to the *Yale Endowment 2007 Annual Report*, it has a "twenty-year track record of 15.6% per annum as of June 30, 2007."

Our Investment Philosophy

Like the nation's largest endowments (Harvard and Yale), we concentrate on six core asset classes. These include Real Assets, Absolute Return, Private Equity, Foreign Equity, Domestic Equity and Fixed Income. Our model has a value-oriented bias, which provides upside potential, but also offers downside protection and a margin of safety. We rebalance client portfolios quarterly and review asset class targets annually after the third fiscal quarter. For more information on our allocations, investments and fee schedules, please contact us directly.

Small Portfolios Can Deliver Large Institution Performance

Despite working with far smaller asset figures, it is entirely possible to meet (and even outpace) the success of large institutions, as demonstrated below.
Our ultimate mission is to deliver results to smaller investors that match those of the nation's leading institutions.

The UNIV Model Versus Yale and the S&P 500 Index – Hypothetical Portfolio Illustration from 6/30/2001 to 6/30/2008

ACADEMIC YEAR	2001	2002	2003	2004	2005	2006	2007	2008	SUM TOTAL	ARITHMETIC MEAN ANNUAL RETURN*
UNIV Return** (Net of Fees)	8.8%	19.2%	7.1%	24.3%	19.4%	27.3%	18.7%	6.1%	130.7%	16.3%
Yale Return (Net of Fees)***	9.2%	0.7%	8.8%	19.4%	22.3%	22.9%	28.0%	4.5%	115.8%	14.5%
S&P 500 Index TR (Net of Fees)**	-14.8%	-18.0%	2.4%	18.1%	7.4%	8.3%	20.6%	-13.1%	11.0%	1.4%

Table Information and Sources

*Arithmetic Mean Annual Return is a simple average return, equal to the sum of all values divided by the number of values.

**Full historical performance and statistical data disclosure for the University Model and the S&P 500 Index TR are located on the bottom of the second page and are provided exclusively by Morningstar.

***The Yale performance data is provided by the *Yale Endowment Annual Report*. Much of the material in this Yale publication is drawn from memoranda produced by the Investments Office for the Yale Corporation Investment Committee. The Yale Endowment's annual return for the ten years ending June 30, 2007 ranks in the top one percent of institutional funds as measured by the SEI Large Plan Universe.

The University Model - Monthly & Annual Performance for the Ten Years Ended December 31, 2008

Outperforming the S&P 500 Index by More Than 12% Annualized: Hypothetical Portfolio Illustration - 12/31/1998 to 12/31/2008

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	UNIV MODEL YTD NET	S&P 500 TR YTD NET
1999	-1.43%	-2.65%	4.40%	6.77%	-1.63%	2.47%	2.09%	0.74%	3.52%	-1.62%	3.21%	8.83%	26.82%	21.04%
2000	-0.90%	2.66%	0.83%	-1.26%	2.03%	2.39%	-2.06%	4.57%	1.24%	-3.32%	2.56%	5.08%	14.21%	-9.08%
2001	0.62%	1.27%	-2.11%	2.70%	1.86%	-3.40%	-2.43%	1.36%	-1.32%	2.70%	0.67%	2.54%	4.23%	-11.89%
2002	0.12%	4.59%	4.23%	3.42%	3.96%	-1.80%	-7.52%	3.67%	-3.18%	-1.17%	3.75%	3.42%	13.33%	-22.10%
2003	-0.33%	-1.57%	-2.87%	3.12%	7.88%	2.69%	1.24%	5.11%	3.95%	5.66%	3.41%	3.09%	35.59%	28.68%
2004	-0.15%	1.71%	2.26%	-5.71%	0.22%	1.85%	-0.51%	1.81%	4.38%	1.47%	5.59%	1.80%	15.18%	10.85%
2005	-0.79%	4.36%	-1.71%	-2.29%	0.58%	3.66%	3.37%	2.61%	5.07%	-3.28%	3.26%	4.23%	20.20%	4.91%
2006	7.62%	-2.00%	3.85%	3.95%	-3.13%	-0.40%	0.59%	1.96%	-2.30%	4.06%	4.75%	0.09%	19.98%	15.79%
2007	0.76%	1.79%	1.88%	2.21%	2.44%	-0.69%	-0.27%	-2.77%	6.17%	5.52%	-3.60%	0.20%	13.90%	5.49%
2008	-3.57%	3.89%	-3.12%	3.11%	2.68%	-1.49%	-4.51%	-3.61%	-9.82%	-17.59%	-3.55%	3.65%	-30.81%	-36.92%
									Average Annualized Return				11.52%	-1.38%
									Cumulative Return				197.86%	-13.00%
									Ten-Year Growth of $100,000				$334,509	$87,004

Additional Key UNIV Model Statistics - 12/31/1998 to 12/31/2008

Number of Months Tracked	120	**UNIV Avg. Annualized Return (Net of Fees)**	11.52%
Most Consecutive Up Months	9	**S&P 500 TR Avg. Annualized Return (Dividends Reinvested)**	-1.38%
Most Consecutive Down Months	6	**UNIV - Plus/Minus Benchmark Return**	12.90%
Best Performing Month	8.83%	**Ten-Year Beta**	0.47
Worst Performing Month	-17.59%	**Ten-Year R-Squared**	0.31
Potential Capital Gains Exposure	N/A	**Ten-Year Standard Deviation**	12.64

Definition of Key Terms

S&P 500 Index: A market capitalization weighted index of 500 widely held stocks used as a proxy for the stock market.

TR: An acronym for "total return." When referenced in regards to an index, TR signifies that returns include daily reinvestment of dividends.

Beta: A measure of the volatility of a portfolio relative to the overall market represented by the S&P 500. A beta above 1.0 is more volatile, while below 1.0 is less.

R-Squared: How closely a portfolio's performance correlates with the performance of the S&P 500 Index. 0.00% represents no correlation, while 1.00% represents perfect correlation.

Standard Deviation: A measure of the historical volatility of a portfolio, the extent to which numbers are spread around their average.

Capital Gain: An increase in the value of an asset that gives it a higher worth than the purchase price. When distributed to investors, capital gains are a taxable obligation, unless the portfolio is held in a tax-deferred or tax-exempt vehicle.

Definitions provided by Investopedia (A *Forbes* Digital Company).

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