

November 11, 2021

TO: Legal Counsel

News Media

Salinas Californian  
El Sol  
Monterey County Herald  
Monterey County Weekly  
KION-TV  
KSBW-TV/ABC Central Coast  
KSMS/Entravision-TV

The next regular meeting of the **PERSONNEL, PENSION AND INVESTMENT COMMITTEE - COMMITTEE OF THE WHOLE** of the Salinas Valley Memorial Healthcare System will be held **TUESDAY, NOVEMBER 16, 2021, AT 12:00 P.M., IN THE DOWNING RESOURCE CENTER, ROOMS A, B & C, AT SALINAS VALLEY MEMORIAL HOSPITAL, 450 E. ROMIE LANE, SALINAS, CALIFORNIA, OR BY PHONE OR VIDEO (Visit [svmh.com/virtualboardmeeting](http://svmh.com/virtualboardmeeting) for Access Information).**

Please note: Pursuant to SVMHS Board Resolution No. 2021-05, Assembly Bill 361, and guidance from the Monterey County Health Department in response to concerns regarding COVID-19, Board Members of Salinas Valley Memorial Healthcare System, a local health care district, are permitted to participate in this duly noticed public meeting via teleconference and certain requirements of The Brown Act are suspended.



Pete Delgado  
President/Chief Executive Officer

**Committee Members: Regina M. Gage – Chair; Richard Turner – Vice Chair; Pete Delgado – President/Chief Executive Officer; Augustine Lopez – Chief Financial Officer; Michelle Childs, Chief Human Resources Officer; Glenn Berry, M.D. – Medical Staff Member; and Tony Redmond – Community Member**

**PERSONNEL, PENSION AND INVESTMENT COMMITTEE MEETING  
NOVEMBER 2021 - COMMITTEE OF THE WHOLE  
SALINAS VALLEY MEMORIAL HEALTHCARE SYSTEM**

**TUESDAY, NOVEMBER 16, 2021  
12:00 P.M. – DOWNING RESOURCE CENTER, ROOMS A, B & C  
SALINAS VALLEY MEMORIAL HOSPITAL  
450 E. ROMIE LANE, SALINAS, CALIFORNIA  
OR BY PHONE OR VIDEO**

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**AGENDA**

1. Approval of Minutes from the Personnel, Pension and Investment Committee Meeting of October 26, 2021 (DELGADO)
  - Motion/Second
  - Action by Committee/Roll Call Vote
2. Consider Recommendation for Board Approval of Findings Supporting Recruitment of Physicians to Community Medical Groups and Practices and Approval of Recruitment Incentives (RADNER/HOFFMAN)
  - Staff Report
  - Committee Questions to Staff
  - Motion/Second
  - Public Comment
  - Committee Discussion/Deliberation
  - Action by Committee/Roll Call Vote
3. Financial and Statistical Review (LOPEZ)
4. Review Investment Performance of SVMHS's General & Board Designated Funds (LOPEZ/TIM SKELLY OF GRAYSTONE CONSULTING)

5. Public Input

This opportunity is provided for members of the public to make a brief statement, not to exceed three (3) minutes, on issues or concerns within the jurisdiction of this District Board which are not otherwise covered under an item on this agenda.

6. Closed Session

(See Attached Closed Session Sheet information)

7. Reconvene Open Session/Report on Closed Session
8. Adjournment – The December 2021 Personnel, Pension and Investment Committee Meeting is scheduled for **Tuesday, December 14, 2021, at 12:00 p.m.**

Notes: This Committee meeting may be attended by Board Members who do not sit on this Committee. In the event that a quorum of the entire Board is present, this Committee shall act as a Committee of the Whole. In either case, any item acted upon by the Committee or the Committee of the Whole will require consideration and action by the full Board of Directors as a prerequisite to its legal enactment.

Requests for a disability related modification or accommodation, including auxiliary aids or services, in order to attend or participate in a meeting should be made to the Executive Assistant during regular business hours at 831-755-0741. Notification received 48 hours before the meeting will enable the District to make reasonable accommodations.

The Committee packet is available at the Committee Meeting, at [www.svmh.com](http://www.svmh.com), and in the Human Resources Department of the District. All items appearing on the agenda are subject to action by the Committee.

**PERSONNEL, PENSION AND INVESTMENT COMMITTEE MEETING OF THE BOARD OF DIRECTORS – COMMITTEE OF THE WHOLE**  
**AGENDA FOR CLOSED SESSION**

Pursuant to California Government Code Section 54954.2 and 54954.5, the board agenda may describe closed session agenda items as provided below. No legislative body or elected official shall be in violation of Section 54954.2 or 54956 if the closed session items are described in substantial compliance with Section 54954.5 of the Government Code.

**CLOSED SESSION AGENDA ITEMS**

- [ ] **LICENSE/PERMIT DETERMINATION**  
(Government Code §54956.7)

**Applicant(s):** (Specify number of applicants) \_\_\_\_\_

- [ ] **CONFERENCE WITH REAL PROPERTY NEGOTIATORS**  
(Government Code §54956.8)

**Property:** (Specify street address, or if no street address, the parcel number or other unique reference, of the real property under negotiation): \_\_\_\_\_

**Agency negotiator:** (Specify names of negotiators attending the closed session): \_\_\_\_\_

**Negotiating parties:** (Specify name of party (not agent): \_\_\_\_\_

**Under negotiation:** (Specify whether instruction to negotiator will concern price, terms of payment, or both): \_\_\_\_\_

- [ ] **CONFERENCE WITH LEGAL COUNSEL-EXISTING LITIGATION**  
(Government Code §54956.9(d)(1))

**Name of case:** (Specify by reference to claimant's name, names of parties, case or claim numbers): \_\_\_\_\_, OR

**Case name unspecified:** (Specify whether disclosure would jeopardize service of process or existing settlement negotiations): \_\_\_\_\_

- [ ] **CONFERENCE WITH LEGAL COUNSEL-ANTICIPATED LITIGATION**  
(Government Code §54956.9)

Significant exposure to litigation pursuant to Section 54956.9(d)(2) or (3) (Number of potential cases): \_\_\_\_\_

Additional information required pursuant to Section 54956.9(e): \_\_\_\_\_

Initiation of litigation pursuant to Section 54956.9(d)(4) (Number of potential cases): \_\_\_\_\_

**LIABILITY CLAIMS**  
(Government Code §54956.95)

**Claimant:** (Specify name unless unspecified pursuant to Section 54961): \_\_\_\_\_  
\_\_\_\_\_

**Agency claimed against:** (Specify name): \_\_\_\_\_

**THREAT TO PUBLIC SERVICES OR FACILITIES**  
(Government Code §54957)

**Consultation with:** (Specify name of law enforcement agency and title of officer): \_\_\_\_\_

**PUBLIC EMPLOYEE APPOINTMENT**  
(Government Code §54957)

**Title:** (Specify description of position to be filled): \_\_\_\_\_

**PUBLIC EMPLOYMENT**  
(Government Code §54957)

**Title:** \_\_\_\_\_

**PUBLIC EMPLOYEE PERFORMANCE EVALUATION**  
(Government Code §54957)

**Title:** (Specify position title of employee being reviewed): \_\_\_\_\_

**PUBLIC EMPLOYEE DISCIPLINE/DISMISSAL/RELEASE**  
(Government Code §54957)

(No additional information is required in connection with a closed session to consider discipline, dismissal, or release of a public employee. Discipline includes potential reduction of compensation.)

**CONFERENCE WITH LABOR NEGOTIATOR**  
(Government Code §54957.6)

**Agency designated representative:** (Specify name of designated representatives attending the closed session): Pete Delgado

**Employee organization:** (Specify name of organization representing employee or employees in question): National Union of Healthcare Workers, California Nurses Association, Local 39, ESC Local 20, or

**Unrepresented employee:** (Specify position title of unrepresented employee who is the subject of the negotiations): \_\_\_\_\_

[ ] **CASE REVIEW/PLANNING**  
(Government Code §54957.8)

(No additional information is required to consider case review or planning.)

[ ] **REPORT INVOLVING TRADE SECRET**  
(Government Code §37606 & Health and Safety Code § 32106)

Discussion will concern: (Specify whether discussion will concern proposed new service, program, or facility): \_\_\_\_\_

**Estimated date of public disclosure:** (Specify month and year): \_\_\_\_\_

[ ] **HEARINGS/REPORTS**  
(Government Code §37624.3 & Health and Safety Code §§1461, 32155)

**Subject matter:** (Specify whether testimony/deliberation will concern staff privileges, report of medical audit committee, or report of quality assurance committee):

[ ] **CHARGE OR COMPLAINT INVOLVING INFORMATION PROTECTED BY FEDERAL LAW** (Government Code §54956.86)

(No additional information is required to discuss a charge or complaint pursuant to Section 54956.86.)

**ADJOURN TO OPEN SESSION**

**MINUTES OF THE OCTOBER 2021 PERSONNEL, PENSION AND  
INVESTMENT COMMITTEE MEETING/COMMITTEE OF THE WHOLE  
SALINAS VALLEY MEMORIAL HEALTHCARE SYSTEM**

**TUESDAY, OCTOBER 26, 2021  
12:00 P.M. – DOWNING RESOURCE CENTER, ROOMS A, B & C  
SALINAS VALLEY MEMORIAL HOSPITAL  
450 E. ROMIE LANE, SALINAS, CALIFORNIA  
OR BY PHONE OR VIDEO**

**(Visit [svmh.com/virtualboardmeeting](http://svmh.com/virtualboardmeeting) for Access Information)**

Pursuant to Executive Order N-25-20 issued by the Governor of the State of California in response to concerns regarding COVID-19, Board Members of Salinas Valley Memorial Healthcare System, a local health care district, are permitted to participate in this duly noticed public meeting via teleconference and certain requirements of The Brown Act are suspended.

Committee Members Present: Pete Delgado, Augustine Lopez, Michelle Childs, Glenn Berry, MD, in person.

Other Board Members Present, Constituting Committee of the Whole: Joel Hernandez Laguna by teleconference, constituting Committee of the Whole.

Also Present: Molly Heacox, Stacey Callahan, Renee Jaenicke, and Lisa Paulo in person.

Absent: Regina M. Gage, Chair, and Richard Turner, Vice Chair.

The meeting was called to order at 12:02 p.m. by Pete Delgado, a quorum was present.

**APPROVAL OF MINUTES FROM THE PERSONNEL, PENSION AND INVESTMENT  
COMMITTEE MEETING OF SEPTEMBER 28, 2021**

Pete Delgado, President/Chief Executive Officer, recommended the Personnel, Pension and Investment Committee approve the minutes of the Personnel, Pension and Investment Committee Meeting of September 28, 2021. This information was included in the Committee packet.

No Public Comment.

MOTION: The Personnel, Pension and Investment Committee approves the minutes of the Personnel, Pension and Investment Committee Meeting of September 28, 2021, as presented.  
Moved/Seconded/Roll Call Vote: Ayes: Delgado, Lopez, Childs, Berry; Noes: None; Abstentions: None; Absent: Gage, Turner, Motion Carried.

Joel Hernandez Laguna by teleconference, constituting Committee of the Whole.

**CONSIDER RECOMMENDATION FOR BOARD APPROVAL OF (i) THE FINDINGS  
SUPPORTING RECRUITMENT OF MIGUEL DORANTES, MD (ii) CONTRACT TERMS  
FOR DR. DORANTES' RECRUITMENT AGREEMENT, AND (iii) CONTRACT TERMS FOR  
DR. DORANTES' FAMILY MEDICINE PROFESSIONAL SERVICES AGREEMENT**

Stacey Callahan, Physician Services Coordinator, reported that in consultation with members of the medical staff, hospital executive management has identified the recruitment of a physician specializing in family practice as a recruiting priority for the hospital's service area. Based on the Medical Staff Development Plan, completed by ECG Management Group in October 2019, the specialty of Family Medicine is recommended as a top priority for recruitment. Furthermore, the departure of one of the

physicians from the SVMHS Rural Health Clinic in Gonzales, Taylor Farms Family Health & Wellness Center (TFFH&WC), has left a full-time physician vacancy at this location.

The recommended physician, Miguel Dorantes, MD, received his Doctor of Medicine degree in Baja Mexico and continued his training at UCLA where he graduated from the International Medical Graduate Program in 2010. Dr. Dorantes completed his Family Medicine Residency in 2014 from the UCLA School of Medicine at Kern County Medical Center in Bakersfield. Dr. Dorantes is a Salinas resident and has been practicing family medicine in Santa Cruz and Santa Clara counties. Dr. Dorantes is Board certified by the American Board of Family Medicine, holds an active California license, and is fluent in Spanish. He plans to join TFFH&WC in December.

The proposed professional services agreement and recruitment agreement terms were reviewed. Both are within fair market value standards. South County is an underserved community. Dr. Berry pointed out more physicians are needed in all of Monterey County including Salinas and Monterey.

No Public Comment.

**MOTION:** the Personnel, Pension and Investment Committee recommends to the SVMHS Board of Directors approval of the following: (i) The findings supporting recruitment of Miguel Dorantes, MD, that the recruitment of a family medicine physician to Taylor Farms Family Health & Wellness Center is in the best interest of the public health of the communities served by the District; and that the recruitment benefits and incentives the hospital proposes for this recruitment are necessary in order to attract and relocate an appropriately qualified physician to practice in the communities served by the District; (ii) the contract terms of the Recruitment Agreement for Dr. Dorantes; and (iii) The contract terms of the Family Medicine Professional Services Agreement for Dr. Dorantes. Moved/Seconded/Roll Call Vote: Ayes: Delgado, Lopez, Childs, Berry; Noes: None; Abstentions: None; Absent: Gage, Turner; Motion Carried.

*Since Directors Gage and Turner were absent from the meeting and this vote, this is a qualified recommendation to the Board of Directors for approval as the remaining members of the Committee voted in favor of the recommendation.*

Juan Cabrera, Joel Hernandez Laguna joined by teleconference at 12:10 p.m.

## **FINANCIAL AND STATISTICAL REVIEW**

Augustine Lopez, Chief Financial Officer, provided a financial and statistical performance review for the month ending September 30, 2021. This information was included in the Committee packet.

Key highlights of the financial summary for September 2021 were: (1) Consolidated income from operations was \$2.9 million with an operating margin of 5.1%, with a net income of \$3.5 million with a net operating margin of 6.1%; (2) Income from operations includes \$.5 million from, AB113 Intergovernmental Transfer Payment (FY 19-20); (3) Normalized income from operations was \$2.4 million with an operating margin of 4.2% with a net income of \$3 million with a margin of 5.3%; (4) Year-to-date income from operations was \$13.4 million with a net operating margin of 7.9% with a net income of \$16.5 million with a margin of 9.7%; (5) Normalized income from operations was \$12.8 million with a margin of 7.6% with a net income of \$15.9 million with a margin of 9.4%; (6) Gross revenues were 6% favorable, inpatient (IP) gross revenues were unfavorable by 1%, ED gross revenues 43% above budget, Outpatient gross revenues 6% favorable; (7) Payor mix was unfavorable, (8) Total normalized net patient revenues were \$46 million, which is favorable to the budget; (9) COVID IP cases were 33 down from 46 the previous month; (10) Positive influences include strong outpatient (OP) business: infusion therapy, cardiology, radiology, 1,385 ER visits, fewer ED admissions; (11) Negative influences include lower average daily census, IP and OP surgeries below budget and Medicare



traditional ALOS CMI adjusted 1% unfavorable; (12) CMI all discharges with and without COVID; (12) Revenues and Expenses per adjusted patient day are on a good trend; and (13) Key financial indicators 2021 YTD, target, comparison to S&P A+ hospitals and 2020 history.

Dr. Berry thanked Mr. Lopez for the update. Dr. Berry commented that he has seen a report indicating the Outpatient Surgery Center revenues were in the negative which he was questioning. Mr. Lopez will research and get back to him.

### **PUBLIC INPUT**

None.

### **NO CLOSED SESSION**

### **ADJOURNMENT**

There being no other business, the meeting was adjourned at 12:20 p.m. The November 2021 Personnel, Pension and Investment Committee Meeting is scheduled for **Tuesday, November 16, 2021, at 12:00 p.m.**

Regina M. Gage, Chair  
Personnel, Pension and Investment Committee

/kmh

**RECOMMENDATION OF THE OCTOBER 2021  
PERSONNEL, PENSION AND INVESTMENT COMMITTEE MEETING  
COMMITTEE OF THE WHOLE  
SALINAS VALLEY MEMORIAL HEALTHCARE SYSTEM**

**October Committee Meeting  
Meeting of October 26, 2021  
To the Board of Directors**

**1. RECOMMENDATION FOR BOARD APPROVAL OF (i) THE FINDINGS SUPPORTING RECRUITMENT OF MIGUEL DORANTES, MD (ii) THE CONTRACT TERMS FOR DR. DORANTES' RECRUITMENT AGREEMENT, AND (iii) THE CONTRACT TERMS FOR DR. DORANTES' FAMILY MEDICINE PROFESSIONAL SERVICES AGREEMENT**

RECOMMENDATION: The Personnel, Pension and Investment Committee recommends to the SVMHS Board of Directors approval of the following: (i) The Findings Supporting Recruitment of Miguel Dorantes, MD, the recruitment of a family medicine physician to Taylor Farms Family Health & Wellness Center is in the best interest of the public health of the communities served by the District; and the recruitment benefits and incentives the hospital proposes for this recruitment are necessary in order to attract and relocate an appropriately qualified physician to practice in the communities served by the District; (ii) the Contract Terms of the Recruitment Agreement for Dr. Dorantes; and (iii) the Contract Terms of the Family Medicine Professional Services Agreement for Dr. Dorantes.

## Board Paper: Personnel, Pension and Investment Committee

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### Consider Recommendation for Board Approval of Findings Supporting Recruitment of Physicians to Community Medical Groups and Practices and Approval of Recruitment Incentives

Executive Sponsor: Allen Radner, MD, Chief Medical Officer  
 Clint Hoffman, CAO Physician Integration & Business Development

Date: November 4, 2021

#### Executive Summary

In consultation with members of the SVMH medical staff, consistent with SVMHS physician recruitment policies and procedures, and in compliance with requirements of Stark Law, SVMHS executive management has identified the recruitment of physicians in certain medical specialties as a recruiting priority for the hospital's service area.

The Medical Staff Development Plan, completed by ECG Management Consultants in October 2019, identified the specialties of Gastroenterology, Pediatrics, and Urology as recommended priorities for recruitment. Recruitment for hospital-based specialties of Anesthesia, Emergency Medicine, Pathology, and Radiology are most appropriately evaluated based on the needs of the hospital to ensure appropriate levels of coverage to meet patient care needs. Service line volumes and program coverage needs are the primary drivers of recruitment to these specialties.

To support physician recruitment to the District's service area, SVMHS collaborates with local medical groups and practices in the recruiting process through contributions to the costs of recruiting firms and associated recruitment expenses, and contributions to incentives paid to physicians that relocate to our community.

At this time, the following medical groups and practices have requested financial support from SVMHS in the recruitment of physicians to practice in the community with their respective medical group or practice:

Specialty	Group/Practice	FTE(s)
Anesthesia	Cypress Coast Anesthesia Medical Group	1
Emergency Medicine	Salinas Valley Emergency Medical Group	1
Gastroenterology	Monterey Bay GI Associates Medical Group	1
Gastroenterology	Los Palos Gastroenterology	1
Pathology	Salinas Pathology Medical Group, Inc.	1
Pediatrics	St. Junipero Children's Clinic	2
Pediatrics	Salinas Pediatric Medical Group	2
Radiology	Salinas Valley Radiologists, Inc.	1
Urology	Salinas Valley Urology Associates	1
Total FTEs		11

Financial support for each of these recruitments includes approximately \$30,000 in recruitment fees and between \$30,000 and \$45,000 in incentive payments to physicians that are structured as two-year forgivable loans. The total financial request for recruitment of the above 11 FTEs is a total amount not to exceed \$335,000 in recruiting firm fees and \$385,000 in incentive payments to physicians for a total of \$720,000 that will be expended over the course of the next year as our recruitment team works to fill these vacancies.

The recruitment fees and incentive compensation were budgeted at \$169,000 as part of our annual budget for physician recruitment. However, several unanticipated requests for community recruitment support and a more challenging recruitment environment requires a change to our support levels. Historically, our process has been to bring specific candidates and requests for financial recruitment support to the Board after a candidate has been identified and terms have been negotiated between the practice and the recruited physician. In these instances, independent community physician practices are securing a commitment based on the expectation of financial support from SVMHS and we plan to request Board approval of these financial commitments in advance as we identify needs for future recruitments.

### Required Documents

The proposed physician recruitments will require the execution of a Physician Recruitment Agreement among SVMHS, the Medical Group or Practice, and the Physician. A template of the Physician Recruitment Agreement is attached for your review.

### Meeting our Mission, Vision, Goals

#### Strategic Plan Alignment:

The recruitment of certain specialty physicians is aligned with our strategic priority for growth. We continue to support the local community physicians and private practice offices that provide care to our patients both in the hospital and the clinics. This investment provides a platform for growth that can be developed to better meet the needs of the residents of our District by increasing access to necessary care.

#### Pillar/Goal Alignment:

Service    People    Quality    Finance    Growth    Community

#### Financial/Quality/Safety/Regulatory Implications

The addition of physicians from these specialties to the community has been identified as a need for recruitment and demonstrates the support from Salinas Valley Memorial Healthcare System to community practices. The recruitment incentive proposed for the recruitments is within fair market value and is commercially reasonable.

### Recommendation

Administration requests that the Personnel, Pension and Investment Committee recommend to the SVMHS Board of Directors to take the following actions:

1. The Board makes the following findings supporting the recruitment of the physicians in the specialties of anesthesia, emergency medicine, gastroenterology, pathology, pediatrics, radiology, and urology:
  - The assistance by SVMHS in the recruitment of physicians in the specialties of anesthesia, emergency medicine, gastroenterology, pathology, pediatrics, radiology, and urology by community medical groups and practices is in the best interest of the public health of the communities served by the District; and

- The recruitment incentives requested by the community medical groups and practices and supported by SVMHS for these recruitments are necessary in order to attract and relocate appropriately qualified physicians to practice in the communities served by the District.
2. Approve the recruitment support to community medical groups and practices and the recruitment incentives for the medical specialties of anesthesia, emergency medicine, gastroenterology, pathology, pediatrics, radiology, and urology to be set forth in Recruitment Agreements among SVMHS, the community medical groups and practices, and the physicians.

Attachments:

- SVMHS Physician Recruitment Agreement

**SALINAS VALLEY MEMORIAL HEALTHCARE SYSTEM  
PHYSICIAN RECRUITMENT AGREEMENT**

*(<Physician Name> and <Medical Group Name>)*

This Physician Recruitment Agreement (“Agreement”) is made effective on *<Effective Date>* (“Effective Date”), by and among **Salinas Valley Memorial Healthcare System**, a local health care district organized and operating pursuant to Division 23 of the California Health & Safety Code (“SVMHS”), *<Physician Name>*, a physician specializing in *<Specialty>* (“Physician”), and *<Medical Group Name>*, a California professional medical corporation (“Group”). SVMHS, Physician, and Group are referred to as the “Parties” and individually as a “Party.”

**RECITALS**

- A. SVMHS owns and operates Salinas Valley Memorial Hospital, a general acute care hospital located at 450 East Romie Lane, Salinas, California (“Hospital”). SVMHS provides health care services to residents of the district and surrounding communities (“Service Area”). Group is a California professional medical corporation providing medical services in the Service Area. Physician intends to practice her specialty with Group in the Service Area.
- B. SVMHS has determined that there is a shortage of, and a need for, a physician specializing in *<Specialty>* medicine in the Service Area. The shortage of such a physician jeopardizes SVMHS’ ability to provide such health care services to residents of the Service Area. SVMHS also has determined that such shortage is not likely to resolve itself through market forces, but that financial support will have to be offered if the appropriate physician is to relocate to the Service Area.
- C. To facilitate its goal of providing medical services in the Service Area, SVMHS has determined that it must provide certain incentives in order to enable a physician specializing in *<Specialty>* medicine to join a practice in the Service Area. SVMHS has determined that the incentives set forth in this Agreement meet a community need and promote SVMHS’ mission and goal of providing health care services to all residents in the Service Area who need such care.
- D. Physician is duly licensed to practice medicine in the State of California and is qualified to provide medical services in Physician’s specialty (“Professional Services”). Physician is prepared to join Group in order to practice in the Service Area and to provide Professional Services, in return for the financial assistance provided in this Agreement.
- E. SVMHS has determined that the financial assistance required by Physician to relocate is justified by the benefit to patients in the Service Area. Accordingly, SVMHS is prepared to offer a financial assistance to Physician under the terms and conditions set forth in this Agreement. Physician hereby acknowledges and agrees that the financial assistance provided by SVMHS under this Agreement is reasonable and not in excess of fair market value, which is not determined in a manner that takes into account the volume or value of any actual or anticipated referrals by Physician or Group to Hospital. Physician and SVMHS shall enter into an unsecured Promissory Note, attached as Exhibit A to this Agreement, for any payments made under this Agreement.
- F. SVMHS, Physician and Group wish to enter into this Agreement in order to set forth a full statement of the terms of this recruiting arrangement, which all Parties acknowledge is necessary in order to allow Physician to relocate to the Service Area and to provide Professional Services to its residents.

The Parties agree as follows:

**Article 1 Duties of Physician and Group**

- 1.1 Full-Time Practice. Physician shall conduct a full-time practice with Group in Physician’s specialty within the Service Area as determined by Hospital, with Group’s office being open during normal business hours on normal working days. Physician shall commence Physician’s practice with Group in accordance with this Agreement on or about *<Start Date>* (“**Start Date**”). Physician shall comply with the requirements of this Agreement in order for Physician to begin practicing on the Start Date.

- 1.2 Services to Patients, Billing and Collection. Physician shall provide services under this Agreement to private pay patients and to Medicare patients at a level which is at least consistent with the custom and practice in the community. Group shall be responsible for billing and collecting for Physician's Professional Services on a timely, consistent, accurate and commercially reasonable basis.
- 1.3 Employment by Group. Physician has selected Group with whom Physician intends to be employed in the practice of Physician's specialty. Physician has agreed to this employment voluntarily and without inducement or influence of SVMHS. Physician shall use reasonable, good-faith efforts to maintain this employment during the term of the Agreement. The termination of Physician's employment shall not in any way affect Physician's, Group's, or SVMHS' obligations under this Agreement.
- 1.4 Duties of Group. Group shall use best effort to provide Physician with a stable, productive work environment and shall take steps reasonably necessary to promote the growth of Physician's practice.

## **Article 2 Standards**

- 2.1 Licensure and Board Certification. Physician shall maintain California licensure in good standing during the term of this Agreement. Physician shall be board certified or board eligible in <Specialty> medicine during the term of this Agreement.
- 2.2 Medical Staff Standing and Hospital Regulations. Physician shall be responsible for obtaining and maintaining active status and membership on Hospital's Medical Staff with appropriate privileges and shall be subject to all of the responsibilities of that membership. In the event that Physician loses active Medical Staff membership or privileges, this Agreement shall terminate immediately. Physician shall comply with all applicable bylaws, rules and regulations, and policies of the Hospital and the Hospital's Medical Staff.
- 2.3 Corporate Compliance Program. Group and Physician shall support and comply with Hospital's Corporate Compliance Program, as applicable to this Agreement. Group and Physician shall comply with all policies and procedures adopted by Hospital in support of the Corporate Compliance Program.

## **Article 3 Term & Termination**

- 3.1 Term. The term of this Agreement shall commence on the Effective Date of this Agreement and continue until the later of two (2) years from the Start Date of this Agreement, or until all sums are repaid or forgiven under the terms of this Agreement.
- 3.2 Prohibition on New Agreement. If terminated within less than twelve (12) months, the Parties shall refrain from entering into another contract with each other covering the same subject matter for at least twelve (12) months from the Effective Date of this Agreement.
- 3.3 Immediate Termination by SVMHS. SVMHS may terminate this Agreement immediately upon the occurrence of any of the following events: (i) Loss or suspension of Physician's license to practice medicine, Physician's conviction of a felony or any crime involving moral turpitude, or Physician's failure to maintain Physician's status as a member of the Hospital Medical Staff with appropriate privileges; or (ii) Physician's appointment of a receiver for Physician's assets, assignment for the benefit of Physician's creditors, or any relief taken or suffered by Physician under any bankruptcy or insolvency act.
- 3.4 Termination Due to Total Disability. Either Party shall have the right to terminate this Agreement in the event of total disability of Physician. Physician shall be deemed to suffer a "total disability" if Physician becomes physically or mentally incapacitated for more than three (3) months as shown by inability to perform all or substantially all of the material obligations of this Agreement, and which disability is likely, in the opinion of a physician mutually designated by Physician and SVMHS, to persist for six (6) months following the date of determination of said physician.
- 3.5 Termination Not Subject to Fair Hearing. It is agreed between the parties that should this Agreement be terminated for any reason, such decision to terminate and actual termination shall apply to rights under this Agreement only and not to Physician's medical staff privileges or membership of the Medical Staff of Hospital. The termination of this Agreement shall not be subject to the Fair Hearing Plan of the Medical Staff Bylaws, any hearing procedures provided by Local Health Care District Law, or any other Fair Hearing procedures regarding medical staff appointments or privileges.

- 3.6 Effect of Termination. Following expiration or termination of the Agreement for any reason, the Parties shall cooperate in the resulting transition in a manner that serves the best interests of the patients of SVMHS. Termination of this Agreement shall have no effect on Physician's Medical Staff membership or clinical privileges at the Hospital, which will continue unless terminated in accordance with the Hospital's Medical Staff Bylaws. Termination of this Agreement shall not affect the obligation of Physician to repay money as otherwise provided in this Agreement.

#### **Article 4 Recruitment Incentive**

- 4.1 Recruitment Incentive. As part of the consideration for Physician entering into and complying with the terms and conditions of this Agreement and provided that Physician commences practice in the Service Area consistent with the terms of this Agreement by the Start Date, SVMHS shall pay to Physician a recruitment incentive in the amount of *<Incentive Amount>* Dollars (\$\_\_\_\_,000.00) on or about the Effective Date of this Agreement. Physician agrees that (i) this amount is reasonable and necessary to secure Physician's relocation and Physician's services under this Agreement, (ii) this amount is not in excess of fair market value, and (iii) this amount is not made in consideration for the referral of patients by Physician or Group to SVMHS or its affiliates.
- 4.2 Repayment. If either Party terminates this Agreement prior to the expiration of two (2) years from the Start Date, Physician shall be obligated to repay to SVMHS a pro-rated amount of the payment advanced by SVMHS to Physician pursuant to Section 4.1 of this Agreement, plus interest at an annual rate equal to the most recent prime rate published in the Wall Street Journal (or any successor publication) from time to time ("Prime Rate"), plus one percent (1.0%), payable monthly.

For example, if this Agreement is terminated after ten (10) months, Physician shall repay to SVMHS 14/24ths of the recruitment incentive, plus ten (10) months of accrued interest at an annual rate equal to the Prime Rate, plus one percent (1.0%), payable monthly. Such repayment shall be made within ninety (90) days of the event triggering Physician's repayment obligation. If Physician fails to make such repayment to SVMHS within this ninety (90) day period, SVMHS shall have the right to increase the interest rate on the amount owed to SVMHS to the Prime Rate plus two percent (2%), beginning on the ninety-first day.

- 4.3 Promissory Note. At the time of payment to Physician of any amounts under this Agreement, Physician shall execute a Promissory Note substantially in the form attached to this Agreement as Exhibit A to secure repayment of any amounts paid to Physician under this Agreement which are not forgiven by SVMHS pursuant to the terms of this Agreement.
- 4.4 Debt Forgiveness Over Term of Agreement. If Physician has complied and is continuing to comply with all of the terms of this Agreement, SVMHS shall reduce and eliminate the debt due to SVMHS as follows: SVMHS shall forgive fifty percent (50%) of the recruitment incentive, including accrued interest, for each full year of physician services provided by Physician after the Start Date, such that the recruitment incentive will be forgiven upon the second (2nd) anniversary of this Agreement.
- 4.5 Debt Forgiveness at Death/Disability. SVMHS shall forgive all sums advanced by SVMHS under this Agreement and accrued interest, in the event of Physician's death or permanent disability during the Term of this Agreement.

#### **Article 5 General Provisions**

- 5.1 Other Agreements. This Agreement may be one of several between SVMHS and Physician, dealing with different aspects of their relationship. SVMHS maintains a current master list of all such agreements, together with copies of the actual agreements, that is available for review by the Department of Health and Human Services in accordance with Stark Law regulations.
- 5.2 Referrals. Physician shall be entitled to refer patients to any hospital or other institution Physician deems qualified to deliver health care services to a particular patient. Nothing in this Agreement shall be deemed to require Physician to refer patients to Hospital, and SVMHS may not terminate this Agreement because of Physician's referral decisions. No payment or other consideration is or will be made under this Agreement for the referral of patients to SVMHS or its affiliates.



- 5.3 Medical Staff Privileges. Throughout the term of this Agreement, and thereafter, Physician shall be permitted to maintain medical staff privileges at other area hospitals.
- 5.4 Waiver. The failure of SVMHS to insist in any one or more instances upon strict performance of any of the terms of this Agreement shall not be construed as a waiver or relinquishment for the future of such terms, but the same shall continue and remain in full force and effect.
- 5.5 Governing Law/Venue. This Agreement shall be interpreted in accordance with the laws of the State of California, and any questions arising under it shall be construed or determined in accordance with such laws. Venue shall be in Monterey County, California.
- 5.6 Attorneys' Fees. In the event that suit is brought regarding the enforcement of the provisions of this Agreement, the prevailing Party/Parties shall be awarded its costs of suit and reasonable attorneys' fees as part of any judgment rendered.
- 5.7 Partial Invalidity. Should any part of this Agreement for any reason be declared invalid, such decision shall not affect the validity of the remaining portions which shall remain in effect as if this Agreement had been executed with the invalid portion eliminated.
- 5.8 Entire Agreement/Modifications. This Agreement constitutes the entire Agreement between the Parties with respect to the subject matter and supersedes any and all prior negotiations, understandings and agreements. All modifications to this Agreement must be in writing and signed by the Parties.
- 5.9 Government Audit. Until the expiration of five (5) years after the furnishing of any services pursuant to this Agreement, Group and Physician shall make available to the Secretary of the United States Department of Health and Human Services or to the United States Comptroller General, or to any of their duly authorized representatives, upon written request of the same, this Agreement and such books, documents, and records of Group or Physician necessary to certify the nature and the reasonable cost of services of the Hospital.
- 5.10 Agreements between Physician and Group. Upon request by SVMHS, Group agrees to supply SVMHS with copies of its employment agreement with Physician. Nothing in Group's agreements with Physician shall be inconsistent with Physician's obligation to perform the terms and conditions of this Agreement. Group agrees that payments by SVMHS under this Agreement shall be for the benefit of Physician. Nothing in Group's agreements with Physician shall be inconsistent with the requirements Stark Law.
- 5.11 Income Tax Ramifications. The Parties acknowledge that Physician may incur federal and state income tax obligations from certain of the transactions provided for in this Agreement that SVMHS is required to report items of income under relevant income tax laws and regulations, and that forgiveness of debt may constitute income to Physician. It is Physician's responsibility to consult with tax advisors with respect to the filing of income tax returns and the tax treatment of items provided for in this Agreement.
- 5.12 Assignment. Except as otherwise agreed in writing by the SVMHS, nothing contained in this Agreement shall be construed to permit assignment or delegation by Physician of any rights or obligations under this Agreement, and any such assignment or delegation is expressly prohibited. This Agreement shall be binding upon and inure to the benefit of the successors and assigns of SVMHS.
- 5.13 Conditions and Effective Date. This Agreement is subject to approval by the Board of Directors of SVMHS, which approval has not been secured and is not guaranteed. This Agreement shall be effective as of the later of the date the Board approves the Agreement and the date it is signed by all Parties.
- 5.14 Notices. All communications and notices of any kind which any Party may be required or desire to give or serve upon any other Party under this Agreement shall be made in writing and shall be delivered in person or sent by registered or certified mail, return receipt requested, to the addresses below. Any Party may change its address by giving any other Parties written notice of its new address as provided in this Agreement.

SVMHS: Salinas Valley Memorial Healthcare System  
Attn: President/Chief Executive Officer  
450 East Romie Lane  
Salinas, CA 93901

Physician: <Physician Name>  
<Address>  
<Address>  
<Address>

Group: <Medical Group Name>  
<Address>  
<Address>  
<Address>

5.15 Applicable Legal Standards. The Parties shall exercise their rights and perform their duties under this Agreement in accordance with the legal standards set forth in the United States Code, the Code of Federal Regulations, the California Health and Safety Code, the California Business and Professions Code, and any other pertinent and applicable laws, rules, regulations, and orders of the United States and the State of California and their agencies, to the extent that such laws, rules, regulations, and orders pertain to the powers, functions, and duties of SVMHS, Group, and Physician.

5.16 Confidentiality. The Parties agree that this Agreement is personal and confidential between them, and agree, unless otherwise required by law, not to release information concerning this Agreement, or any information exchanged between the Parties pursuant to this Agreement, to any person without the consent of the other Party, which consent shall not be unreasonably denied.

The Parties have executed this Agreement as of the Effective Date first set forth above.

**SVMHS**  
Salinas Valley Memorial Healthcare System

By: \_\_\_\_\_  
Pete Delgado, President/CEO

Date: \_\_\_\_\_

**PHYSICIAN**  
<Physician Name>

\_\_\_\_\_  
<Physician Name>

Date: \_\_\_\_\_

**GROUP**  
<Group Name>

By: \_\_\_\_\_  
<Group Authorized Officer>

Date: \_\_\_\_\_

EXHIBIT A

PROMISSORY NOTE  
(Recruitment Incentives)

\$<Incentive Amount>.00

<Effective Date>

FOR VALUE RECEIVED, the receipt of which is hereby acknowledged, <Physician Name> (“Maker”) hereby promises to pay to the order of **Salinas Valley Memorial Healthcare System** (“Holder”), at the place designated by Holder, the principal sum of <Incentive Amount> Dollars (\$ \_\_,000.00), plus accrued interest on such amount calculated at an annual fixed rate equal to the prime rate published on the effective date of this Promissory Note in the Wall Street Journal (“Prime Rate”), plus one percent (1%), from the date of this Promissory Note, payable in lawful money of the United States of America. Principal and interest shall be immediately due and payable to Holder on <Date 2 years from Start Date>. Notwithstanding the foregoing, if Maker is and remains in full compliance with the **PHYSICIAN RECRUITMENT AGREEMENT** effective <Effective Date>, by and between Maker and Holder (“Recruitment Agreement”), the principal and interest due under this Promissory Note shall be forgiven pursuant to the terms and conditions of the Recruitment Agreement.

This Promissory Note is unsecured. In no event shall any payment of interest or any other sum payable hereunder exceed the maximum amount permitted by applicable law. If it is established that any payment exceeding lawful limits has been received, Holder will refund such excess or, at its option, credit the excess amount to the principal due hereunder, but such payments shall not affect the obligation to make periodic payments required herein.

Maker agrees to pay, to the extent permitted by law, all costs and expenses incurred by Holder in connection with the collection and enforcement of this Promissory Note, including, but not limited to, expenses and reasonable attorneys’ fees to the extent permitted by applicable law, irrespective of whether any suit or security foreclosure or court proceeding has been commenced. Maker and all endorsers and all persons liable or to become liable on this Promissory Note, and each of them, hereby waive diligence, demands, presentation for payment, notice of nonpayment, protest and notice of protest, and specifically consent to and waive notice of any renewals or extensions of this Promissory Note, or any modification or release of security for this Promissory Note, whether made to or in favor of Maker or any other person or persons, and further agree that any such action by Holder shall not affect the liability of Maker or any person liable or to become liable on this Promissory Note.

No delay or omission by Holder in exercising any remedy, right or option under this Promissory Note shall operate as a waiver of such remedy, right or option. In any event, a waiver on any one occasion shall not be construed as a waiver or bar to any such remedy, right or option on a future occasion. The invalidity of any one or more covenants, phrases, clauses, sentences or paragraphs of this Promissory Note shall not affect the remaining portions hereof, and this Promissory Note shall be construed as if such invalid covenants, phrases, clauses, sentences or paragraphs, if any, had not been included herein.

This Promissory Note is to be construed in all respects and enforced according to the laws of the State of California. This Promissory Note may not be amended or modified except by a written agreement duly executed by Maker and Holder. This Promissory Note and the obligations created hereby shall bind Maker and, to the extent applicable, Maker’s respective successors and assigns, and the benefits hereof shall inure to Holder and its successors and assigns. This Promissory Note may be assigned by Holder in its sole discretion.

Any notice to Maker under this Promissory Note shall be in writing and shall be deemed to have been given upon (i) receipt, if hand delivered, (ii) transmission, if delivered by facsimile transmission, (iii) the next business day, if delivered by express overnight delivery service or (iv) the third business day following the day of deposit of such notice in U.S. certified mail, return receipt requested to the following address:

<Physician Name>  
<Address>  
<Address>  
<Address>

Maker has executed and delivered this Promissory Note effective as of the date first set forth above.

MAKER: \_\_\_\_\_  
<Physician Name>

Date: \_\_\_\_\_

# Financial Performance Review

## October 2021

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**Augustine Lopez**  
**Chief Financial Officer**



# Consolidated Financial Summary

## For the Month of October 2021

### Profit/Loss Statement

\$ in Millions	For the Month of October 2021					
			Variance fav (unfav)			
	Actual	Budget	\$VAR	%VAR		
Operating Revenue	\$ 52.7	\$ 53.2	\$ (0.5)	-0.9%		
Operating Expense	\$ 52.2	\$ 52.5	\$ 0.3	0.6%		
<b>Income from Operations*</b>	<b>\$ 0.5</b>	<b>\$ 0.7</b>	<b>\$ (0.2)</b>	<b>-28.6%</b>		
Operating Margin %	0.9%	1.4%	-0.5%	-35.71%		
Non Operating Income**	\$ (2.3)	\$ 1.1	\$ (3.4)	-309.1%		
<b>Net Income</b>	<b>\$ (1.8)</b>	<b>\$ 1.8</b>	<b>\$ (3.6)</b>	<b>-200.0%</b>		
Net Income Margin %	-3.4%	3.5%	-6.9%	-197.1%		

\*No Normalizing items in October

\*\*Unfavorable variance in non-operating income was predominantly due to investment losses from mark-to-market adjustments in investment portfolios

**Underperformance for the month of October was due to:**

- Gross Revenues declined from prior month by \$8.2M (4%) mostly due to a decrease in outpatient business
- Outpatient Infusion Program declined from prior month in patient encounters by 20% and gross revenues by 16%
- ADC was 108 (7% below budget)
- Significant unfavorable payor mix for the month
- Worked and Paid FTEs on a per adjusted ADC basis were 5% and 2% unfavorable to budget, respectively
- Outpatient surgeries were 24% (74 cases) below budget

# Consolidated Financial Summary

## Year-to-Date October 2021

### Profit/Loss Statement

\$ in Millions	FY 2021 YTD October				
			Variance fav (unfav)		
	Actual	Budget	\$VAR	%VAR	
Operating Revenue	\$ 223.4	\$ 211.9	\$ 11.5	5.4%	
Operating Expense	\$ 210.1	\$ 207.6	\$ (2.5)	-1.2%	
<b>Income from Operations*</b>	<b>\$ 13.3</b>	<b>\$ 4.3</b>	<b>\$ 9.0</b>	<b>209.3%</b>	
<i>Operating Margin %</i>	5.9%	2.0%	3.9%	195.0%	
Non Operating Income**	\$ 2.3	\$ 4.3	\$ (2.0)	-46.5%	
<b>Net Income</b>	<b>\$ 15.6</b>	<b>\$ 8.6</b>	<b>\$ 7.0</b>	<b>81.4%</b>	
<i>Net Income Margin %</i>	7.0%	4.1%	2.9%	70.7%	

**\* Income from Operations includes:**

\$0.5M AB113 Intergovernmental Transfer Payment (FY 19-20)

**\*\*Non Operating Income includes**

\$1.1M Doctors on Duty Forgiven Paycheck Protection Program Loan

**\$1.5M Total Normalizing Items, Net**

\*\*Unfavorable variance in non-operating income is predominantly due to fluctuations in market value of investments

# Consolidated Financial Summary

## Year-to-Date October 2021 - Normalized

### Profit/Loss Statement

\$ in Millions	FY 2021 YTD October				
			Variance fav (unfav)		
	Actual	Budget	\$VAR	%VAR	
Operating Revenue	\$ 222.9	\$ 211.9	\$ 11.0	5.2%	
Operating Expense	\$ 210.1	\$ 207.6	\$ (2.5)	-1.2%	
<b>Income from Operations</b>	<b>\$ 12.8</b>	<b>\$ 4.3</b>	<b>\$ 8.5</b>	<b>197.7%</b>	
<i>Operating Margin %</i>	5.7%	2.0%	3.7%	185.0%	
Non Operating Income	\$ 1.3	\$ 4.3	\$ (3.0)	-69.8%	
<b>Net Income</b>	<b>\$ 14.1</b>	<b>\$ 8.6</b>	<b>\$ 5.5</b>	<b>64.0%</b>	
<i>Net Income Margin %</i>	6.3%	4.1%	2.2%	53.7%	

#### Favorable results due to:

- Higher than expected **Medicare Case Mix Index** (1.9)
- Favorable collections on older aged commercial accounts
- Continued effective management on **length of stay** for all payors, despite higher acuity levels
- Generally stronger than expected **outpatient volumes** in infusion therapy, cardiology, radiology, and various other ancillary services (CT Scan, MRI, Cath Lab, Mammography)
- Cost Savings Initiative: **Overall effective management of labor productivity** on a departmental unit of service basis

# SVMH Financial Highlights October 2021

Gross Revenues were favorable

- **Gross Revenues** were 2% unfavorable to budget
- **IP gross revenues** were 5% unfavorable to budget
  - **ED gross revenues** were 28% above budget
  - **OP gross revenues** were 5% unfavorable to budget in the following areas:
    - Infusion Therapy
    - Other OP Pharmacy
    - Surgery


- **Commercial:** 11% below budget
- **Medicaid:** on budget
- **Medicare:** 6% above budget

Payor Mix - unfavorable to budget

Total Net Patient Revenues were \$44.5M, which was unfavorable to budget by \$1.1M or 2.4%



# Financial Summary – October 2021

- 
- 1) ER Outpatient visits were above budget by 40% (1,161 visits)
  - 2) Inpatient Surgeries were 10% (14 cases) above budget at 152
  - 3) Total Acute ALOS was 6% favorable at 4.0 vs 4.2 days budgeted
  - 4) Medicare Traditional ALOS CMI adjusted 19% favorable at 2.0 days with a Case Mix Index of 1.9



## 5) Lower than expected Outpatient business:

- Due to a decline in patient volume activity in the Infusion Therapy program
  - Patient encounters declined from the prior month by 172 (20%)
  - Gross Revenues declined from the prior month by \$4.2M (16%)

## 6) Lower than expected Inpatient business:

- Average daily census was at 108, 7% below budget of 115

7) Total admissions were 5 admits below budget

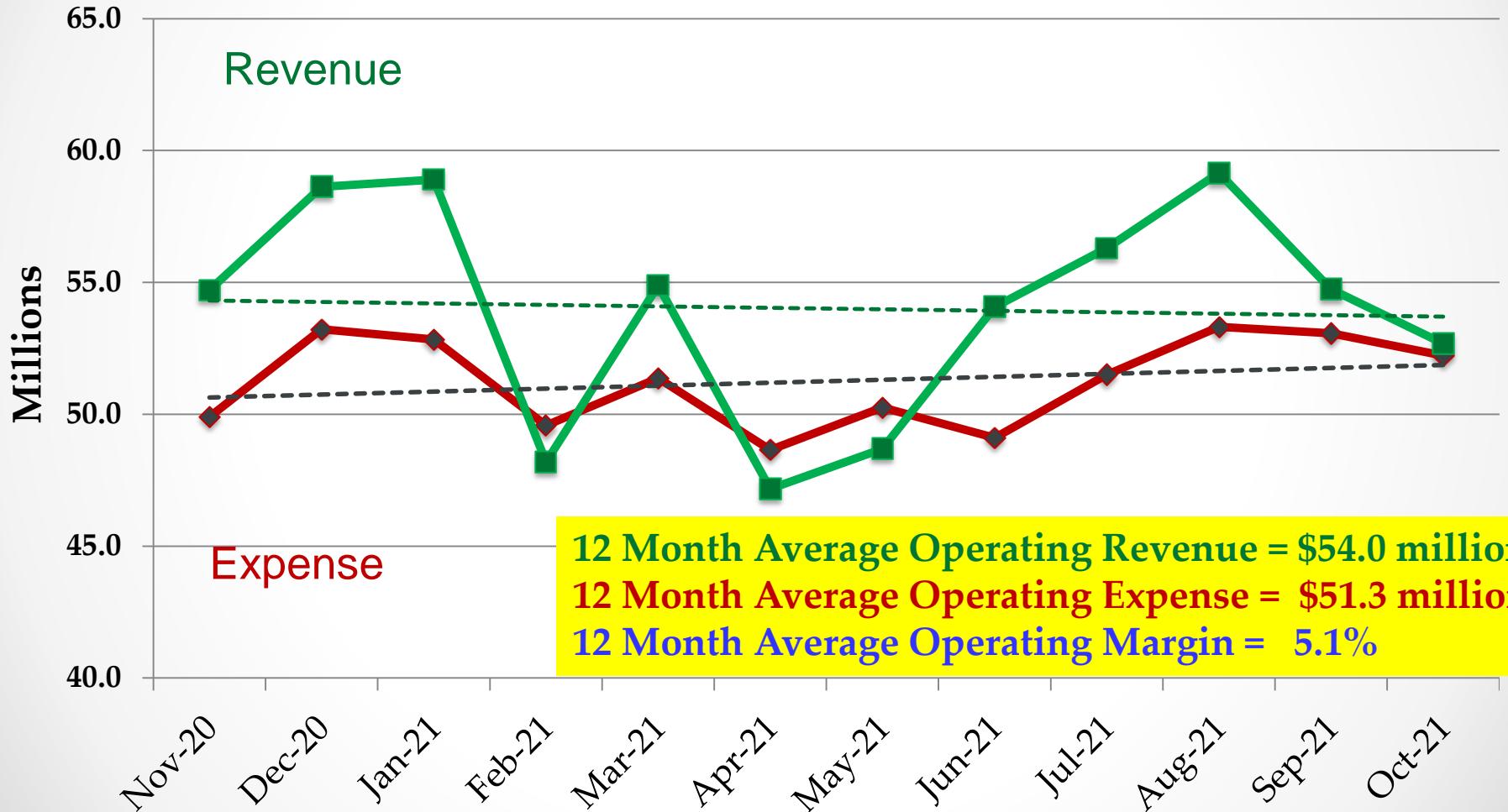
8) Outpatient Surgeries were 24% (74 cases) below budget

9) Deliveries were 23% (33 deliveries) below budget at 111

10) OP Observation cases were 25% (39 cases) above budget at 195

# SVMHS Operating Revenues & Expenses (Normalized)

Rolling 12 Months: November 20 to October 21



12 Month Average Operating Revenue = \$54.0 million  
 12 Month Average Operating Expense = \$51.3 million  
 12 Month Average Operating Margin = 5.1%

# SVMHS Key Financial Indicators

	YTD	SVMHS		S&P A+ Rated		YTD	
Statistic	Oct-21	Target	+/-	Hospitals	+/-	Oct-20	+/-
Operating Margin*	5.7%	9.0%		4.0%		6.8%	
Total Margin*	6.3%	10.8%		6.6%		9.1%	
EBITDA Margin**	9.8%	13.4%		13.6%		11.0%	
Days of Cash*	369	305		249		344	
Days of Accounts Payable*	43	45		-		47	
Days of Net Accounts Receivable***	48	45		49		52	
Supply Expense as % NPR	13.2%	15.0%		-		13.2%	
SWB Expense as % NPR	53.4%	53.0%		53.7%		54.1%	
Operating Expense per APD*	6,377	4,992		-		6,179	

\*These metrics have been adjusted for normalizing items

\*\*Metric based on Operating Income (consistent with industry standard)

\*\*\*Metric based on 90 days average net revenue (consistent with industry standard)

Days of Cash and Accounts Payable metrics have been adjusted to **exclude** accelerated insurance payments (COVID-19 assistance)

# *QUESTIONS / COMMENTS*

SALINAS VALLEY MEMORIAL HOSPITAL  
SUMMARY INCOME STATEMENT  
October 31, 2021

	<u>Month of October,</u>		<u>Four months ended October 31,</u>	
	<u>current year</u>	<u>prior year</u>	<u>current year</u>	<u>prior year</u>
Operating revenue:				
Net patient revenue	\$ 44,503,745	\$ 47,545,209	\$ 188,987,453	\$ 190,886,912
Other operating revenue	592,289	715,415	3,955,863	4,009,000
Total operating revenue	<u>45,096,034</u>	<u>48,260,624</u>	<u>192,943,316</u>	<u>194,895,912</u>
Total operating expenses	40,534,652	41,857,055	164,842,685	164,950,413
Total non-operating income	<u>(5,780,644)</u>	<u>(4,483,004)</u>	<u>(11,955,383)</u>	<u>(9,894,819)</u>
Operating and non-operating income	<u>\$ (1,219,262)</u>	<u>\$ 1,920,565</u>	<u>\$ 16,145,248</u>	<u>\$ 20,050,680</u>

SALINAS VALLEY MEMORIAL HOSPITAL  
 BALANCE SHEETS  
 October 31, 2021

	<u>Current year</u>	<u>Prior year</u>
<b>ASSETS:</b>		
Current assets	\$ 421,142,680	\$ 398,433,911
Assets whose use is limited or restricted by board	146,643,318	134,790,774
Capital assets	241,249,566	259,208,587
Other assets	190,452,550	191,877,196
Deferred pension outflows	<u>50,119,236</u>	<u>83,379,890</u>
	<u>\$ 1,049,607,350</u>	<u>\$ 1,067,690,358</u>
<b>LIABILITIES AND EQUITY:</b>		
Current liabilities	124,965,909	160,711,613
Long term liabilities	14,556,513	14,780,831
	83,585,120	126,340,336
Net assets	<u>826,499,808</u>	<u>765,857,578</u>
	<u>\$ 1,049,607,350</u>	<u>\$ 1,067,690,358</u>

**SALINAS VALLEY MEMORIAL HOSPITAL**  
**STATEMENTS OF REVENUE AND EXPENSES - BUDGET VS. ACTUAL**  
**October 31, 2021**

	Month of October,				Four months ended October 31,			
	Actual	Budget	Variance	% Var	Actual	Budget	Variance	% Var
Operating revenue:								
Gross billed charges	\$ 193,504,217	\$ 196,628,325	(3,124,108)	-1.59%	\$ 808,125,317	\$ 780,155,583	27,969,734	3.59%
Deductions from revenue	149,000,472	151,047,402	(2,046,930)	-1.36%	619,137,864	598,667,460	20,470,404	3.42%
Net patient revenue	44,503,745	45,580,923	(1,077,178)	-2.36%	188,987,453	181,488,122	7,499,331	4.13%
Other operating revenue	592,289	783,804	(191,515)	-24.43%	3,955,863	3,125,723	830,140	26.56%
<b>Total operating revenue</b>	<b>45,096,034</b>	<b>46,364,727</b>	<b>(1,268,693)</b>	<b>-2.74%</b>	<b>192,943,316</b>	<b>184,613,846</b>	<b>8,329,470</b>	<b>4.51%</b>
Operating expenses:								
Salaries and wages	15,420,230	15,791,690	(371,460)	-2.35%	62,312,002	62,539,374	(227,372)	-0.36%
Compensated absences	3,410,757	2,686,703	724,054	26.95%	11,036,952	10,641,029	395,923	3.72%
Employee benefits	6,164,151	7,054,700	(890,549)	-12.62%	28,686,576	28,738,704	(52,128)	-0.18%
Supplies, food, and linen	6,171,749	5,939,300	232,449	3.91%	24,604,482	23,565,382	1,039,100	4.41%
Purchased department functions	3,110,619	3,091,769	18,850	0.61%	12,716,310	12,135,711	580,599	4.78%
Medical fees	2,028,595	1,833,215	195,380	10.66%	7,835,252	7,317,134	518,118	7.08%
Other fees	1,434,162	936,590	497,572	53.13%	4,940,833	3,720,569	1,220,264	32.80%
Depreciation	1,771,042	1,793,121	(22,079)	-1.23%	7,071,814	7,133,434	(61,620)	-0.86%
All other expense	1,023,347	1,447,596	(424,249)	-29.31%	5,638,464	5,776,751	(138,287)	-2.39%
<b>Total operating expenses</b>	<b>40,534,652</b>	<b>40,574,685</b>	<b>(40,033)</b>	<b>-0.10%</b>	<b>164,842,685</b>	<b>161,568,089</b>	<b>3,274,596</b>	<b>2.03%</b>
<b>Income from operations</b>	<b>4,561,382</b>	<b>5,790,042</b>	<b>(1,228,660)</b>	<b>-21.22%</b>	<b>28,100,631</b>	<b>23,045,757</b>	<b>5,054,874</b>	<b>21.93%</b>
Non-operating income:								
Donations	166,667	166,667	0	0.00%	666,667	666,667	0	0.00%
Property taxes	333,333	333,333	(0)	0.00%	1,333,333	1,333,333	(0)	0.00%
Investment income	(1,521,393)	(63,302)	(1,458,092)	2303.41%	(2,282,561)	(253,206)	(2,029,355)	801.46%
Income from subsidiaries	(4,759,251)	(4,549,020)	(210,231)	4.62%	(11,672,822)	(16,758,514)	5,085,692	-30.35%
<b>Total non-operating income</b>	<b>(5,780,644)</b>	<b>(4,112,322)</b>	<b>(1,668,322)</b>	<b>40.57%</b>	<b>(11,955,383)</b>	<b>(15,011,720)</b>	<b>3,056,337</b>	<b>-20.36%</b>
<b>Operating and non-operating income</b>	<b>\$ (1,219,262)</b>	<b>\$ 1,677,720</b>	<b>(2,896,982)</b>	<b>-172.67%</b>	<b>\$ 16,145,248</b>	<b>\$ 8,034,037</b>	<b>8,111,211</b>	<b>100.96%</b>

**SALINAS VALLEY MEMORIAL HOSPITAL  
SCHEDULES OF NET PATIENT REVENUE  
October 31, 2021**

	<u>Month of October,</u>		<u>Four months ended October 31,</u>	
	<u>current year</u>	<u>prior year</u>	<u>current year</u>	<u>prior year</u>
Patient days:				
By payer:				
Medicare	1,615	1,735	6,310	6,345
Medi-Cal	966	1,040	3,894	4,292
Commercial insurance	679	631	2,870	3,018
Other patient	71	168	415	565
Total patient days	<u>3,331</u>	<u>3,574</u>	<u>13,489</u>	<u>14,220</u>
Gross revenue:				
Medicare	\$ 87,017,776	\$ 84,931,476	\$ 355,721,409	\$ 316,131,026
Medi-Cal	54,440,661	55,707,527	226,248,660	215,705,089
Commercial insurance	45,862,666	46,047,680	194,946,335	193,773,304
Other patient	<u>6,183,114</u>	<u>11,186,455</u>	<u>31,208,913</u>	<u>37,470,249</u>
Gross revenue	<u>193,504,217</u>	<u>197,873,138</u>	<u>808,125,317</u>	<u>763,079,668</u>
Deductions from revenue:				
Administrative adjustment	183,641	71,860	1,161,930	1,095,649
Charity care	686,444	386,346	4,377,120	3,608,515
Contractual adjustments:				
Medicare outpatient	26,883,761	25,137,243	112,263,050	101,307,801
Medicare inpatient	39,687,187	38,423,196	149,902,155	137,636,763
Medi-Cal traditional outpatient	2,727,819	2,031,273	10,196,287	7,751,733
Medi-Cal traditional inpatient	7,455,907	6,424,613	24,498,118	30,541,574
Medi-Cal managed care outpatient	21,560,408	19,379,401	89,469,947	74,574,076
Medi-Cal managed care inpatient	17,590,484	21,606,126	79,715,420	74,969,297
Commercial insurance outpatient	15,325,974	16,311,126	66,236,808	63,650,420
Commercial insurance inpatient	13,374,731	13,156,087	64,277,095	56,012,126
Uncollectible accounts expense	3,532,531	3,804,316	15,047,265	14,651,217
Other payors	<u>(8,415)</u>	<u>3,596,342</u>	<u>1,992,669</u>	<u>6,393,586</u>
Deductions from revenue	<u>149,000,472</u>	<u>150,327,929</u>	<u>619,137,864</u>	<u>572,192,755</u>
Net patient revenue	<u>\$ 44,503,745</u>	<u>\$ 47,545,209</u>	<u>\$ 188,987,453</u>	<u>\$ 190,886,912</u>
Gross billed charges by patient type:				
Inpatient	\$ 101,958,348	\$ 107,266,579	\$ 421,763,882	\$ 406,441,909
Outpatient	65,203,186	69,165,816	276,469,382	271,521,127
Emergency room	<u>26,342,684</u>	<u>21,440,743</u>	<u>109,892,054</u>	<u>85,116,632</u>
Total	<u>\$ 193,504,218</u>	<u>\$ 197,873,138</u>	<u>\$ 808,125,318</u>	<u>\$ 763,079,668</u>



**SALINAS VALLEY MEMORIAL HOSPITAL  
STATEMENTS OF REVENUE AND EXPENSES  
October 31, 2021**

	<u>Month of October,</u>		<u>Four months ended October 31,</u>	
	<u>current year</u>	<u>prior year</u>	<u>current year</u>	<u>prior year</u>
Operating revenue:				
Net patient revenue	\$ 44,503,745	\$ 47,545,209	\$ 188,987,453	\$ 190,886,912
Other operating revenue	592,289	715,415	3,955,863	4,009,000
Total operating revenue	<u>45,096,034</u>	<u>48,260,624</u>	<u>192,943,316</u>	<u>194,895,912</u>
Operating expenses:				
Salaries and wages	15,420,230	16,783,480	62,312,002	63,844,902
Compensated absences	3,410,757	3,023,760	11,036,952	10,571,671
Employee benefits	6,164,151	6,677,732	28,686,576	30,201,086
Supplies, food, and linen	6,171,749	6,369,003	24,604,482	25,027,683
Purchased department functions	3,110,619	3,225,218	12,716,310	12,411,780
Medical fees	2,028,595	1,921,902	7,835,252	6,484,306
Other fees	1,434,162	950,649	4,940,833	4,587,111
Depreciation	1,771,042	1,774,597	7,071,814	7,096,257
All other expense	1,023,347	1,130,714	5,638,464	4,725,617
Total operating expenses	<u>40,534,652</u>	<u>41,857,055</u>	<u>164,842,685</u>	<u>164,950,413</u>
Income from operations	<u>4,561,382</u>	<u>6,403,569</u>	<u>28,100,631</u>	<u>29,945,499</u>
Non-operating income:				
Donations	166,667	166,667	666,667	666,667
Property taxes	333,333	333,333	1,333,333	1,333,333
Investment income	(1,521,393)	361,778	(2,282,561)	1,085,462
Taxes and licenses	0	0	0	0
Income from subsidiaries	(4,759,251)	(5,344,782)	(11,672,822)	(12,980,281)
Total non-operating income	<u>(5,780,644)</u>	<u>(4,483,004)</u>	<u>(11,955,383)</u>	<u>(9,894,819)</u>
Operating and non-operating income	(1,219,262)	1,920,565	16,145,248	20,050,680
Net assets to begin	<u>827,719,070</u>	<u>763,937,013</u>	<u>810,354,560</u>	<u>745,806,898</u>
Net assets to end	<u>\$ 826,499,808</u>	<u>\$ 765,857,578</u>	<u>\$ 826,499,808</u>	<u>\$ 765,857,577</u>
Net income excluding non-recurring items	\$ (1,219,262)	\$ 1,741,493	\$ 15,663,470	\$ 19,451,134
Non-recurring income (expense) from cost report settlements and re-openings and other non-recurring items	<u>0</u>	<u>179,072</u>	<u>481,778</u>	<u>599,546</u>
Operating and non-operating income	<u>\$ (1,219,262)</u>	<u>\$ 1,920,565</u>	<u>\$ 16,145,248</u>	<u>\$ 20,050,680</u>

**SALINAS VALLEY MEMORIAL HOSPITAL  
SCHEDULES OF INVESTMENT INCOME  
October 31, 2021**

	<u>Month of October,</u>		<u>Four months ended October 31,</u>	
	<u>current year</u>	<u>prior year</u>	<u>current year</u>	<u>prior year</u>
Detail of other operating income:				
Dietary revenue	\$ 171,716	\$ 127,464	\$ 571,721	\$ 517,182
Discounts and scrap sale	12,444	22,978	294,847	54,288
Sale of products and services	22,975	8,631	390,253	135,017
Clinical trial fees	0	4,150	20,878	46,128
Stimulus Funds	0	0	0	0
Rental income	159,737	157,031	642,636	628,125
Other	225,417	395,161	2,035,528	2,628,260
Total	<u>\$ 592,289</u>	<u>\$ 715,415</u>	<u>\$ 3,955,863</u>	<u>\$ 4,009,000</u>
Detail of investment income:				
Bank and payor interest	\$ 93,877	\$ 163,108	\$ 382,374	\$ 657,351
Income from investments	(1,615,270)	198,669	(2,690,560)	428,111
Gain or loss on property and equipment	0	0	25,625	0
Total	<u>\$ (1,521,393)</u>	<u>\$ 361,778</u>	<u>\$ (2,282,561)</u>	<u>\$ 1,085,462</u>
Detail of income from subsidiaries:				
Salinas Valley Medical Center:				
Pulmonary Medicine Center	\$ (217,327)	\$ (244,892)	\$ (851,429)	\$ (797,046)
Neurological Clinic	(81,091)	(153,512)	(235,038)	(291,782)
Palliative Care Clinic	(95,543)	(73,038)	(357,155)	(298,446)
Surgery Clinic	(202,437)	(129,477)	(526,308)	(521,784)
Infectious Disease Clinic	(35,514)	404	(112,789)	(83,055)
Endocrinology Clinic	(151,614)	(218,047)	(528,602)	(689,154)
Early Discharge Clinic	0	0	0	0
Cardiology Clinic	(539,812)	(431,363)	(1,752,741)	(1,658,916)
OB/GYN Clinic	(420,704)	(512,360)	(1,406,236)	(1,270,013)
PrimeCare Medical Group	(710,741)	(1,343,030)	(2,000,018)	(3,111,204)
Oncology Clinic	(626,649)	(480,903)	(1,376,648)	(1,161,874)
Cardiac Surgery	(143,059)	(255,445)	(633,494)	(749,792)
Sleep Center	(26,920)	(29,789)	(104,478)	(162,414)
Rheumatology	(44,239)	(72,510)	(195,756)	(193,424)
Precision Ortho MDs	(289,014)	(590,844)	(1,147,034)	(1,455,060)
Precision Ortho-MRI	0	44,943	0	19,621
Precision Ortho-PT	(55,393)	(220,411)	(218,280)	(185,295)
Vaccine Clinic	(35,711)	0	(35,711)	0
Dermatology	7,537	(47,732)	(64,824)	(104,301)
Hospitalists	0	0	0	0
Behavioral Health	(66,151)	(52,809)	(285,278)	(257,396)
Pediatric Diabetes	(34,778)	8,343	(175,038)	(117,446)
Neurosurgery	(47,697)	(12,853)	(100,245)	(83,225)
Multi-Specialty-RR	890	90,181	18,600	44,578
Radiology	(206,848)	(633,020)	(1,111,674)	(793,212)
Salinas Family Practice	(120,540)	0	(389,452)	0
Total SVMC	(4,143,355)	(5,358,164)	(13,589,628)	(13,920,640)
Doctors on Duty	(827,800)	(115,885)	477,674	293,830
Assisted Living	0	1,224	0	(27,074)
Salinas Valley Imaging	0	0	0	(19,974)
Vantage Surgery Center	25,421	14,723	95,303	71,536
LPCH NICU JV	0	0	0	0
Central Coast Health Connect	0	0	0	0
Monterey Peninsula Surgery Center	173,661	48,661	1,035,370	307,152
Aspire/CHI/Coastal	27,697	17,620	(32,268)	(197,157)
Apex	(56,860)	13,615	59,998	51,510
21st Century Oncology	547	8,392	121,015	(86,598)
Monterey Bay Endoscopy Center	41,438	25,032	159,715	547,134
Total	<u>\$ (4,759,251)</u>	<u>\$ (5,344,782)</u>	<u>\$ (11,672,822)</u>	<u>\$ (12,980,281)</u>

**SALINAS VALLEY MEMORIAL HOSPITAL  
BALANCE SHEETS  
October 31, 2021**

	<b>Current year</b>	<b>Prior year</b>
<b>A S S E T S</b>		
Current assets:		
Cash and cash equivalents	\$ 323,676,564	\$ 298,986,835
Patient accounts receivable, net of estimated uncollectibles of \$19,612,611	77,386,170	80,908,594
Supplies inventory at cost	8,030,814	8,663,882
Other current assets	12,049,132	9,874,600
Total current assets	421,142,680	398,433,911
Assets whose use is limited or restricted by board	146,643,318	134,790,774
Capital assets:		
Land and construction in process	36,210,359	45,766,080
Other capital assets, net of depreciation	205,039,207	213,442,507
Total capital assets	241,249,566	259,208,587
Other assets:		
Investment in Securities	147,029,222	149,243,603
Investment in SVMC	14,217,857	15,006,781
Investment in Aspire/CHI/Coastal	3,612,579	3,711,954
Investment in other affiliates	22,513,646	22,181,918
Net pension asset	3,079,246	1,732,940
Total other assets	190,452,550	191,877,196
Deferred pension outflows	50,119,236	83,379,890
	\$ 1,049,607,350	\$ 1,067,690,358
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 52,540,078	\$ 56,704,290
Due to third party payers	54,910,575	86,338,169
Current portion of self-insurance liability	17,515,256	17,669,155
Total current liabilities	124,965,909	160,711,613
Long term portion of workers comp liability	14,556,513	14,780,831
Total liabilities	139,522,422	175,492,444
Pension liability	83,585,120	126,340,336
Net assets:		
Invested in capital assets, net of related debt	241,249,566	259,208,587
Unrestricted	585,250,242	506,648,991
Total net assets	826,499,808	765,857,578
	\$ 1,049,607,350	\$ 1,067,690,358

**SALINAS VALLEY MEMORIAL HOSPITAL**  
**PATIENT STATISTICAL REPORT**  
For the month of Oct and four months to date

	<u>Month of Oct</u>		<u>Four months to date</u>		<u>Variance</u>
	<u>2020</u>	<u>2021</u>	<u>2020-21</u>	<u>2021-22</u>	
<b><u>NEWBORN STATISTICS</u></b>					
Medi-Cal Admissions	37	35	193	175	(18)
Other Admissions	81	80	403	373	(30)
Total Admissions	118	115	596	548	(48)
Medi-Cal Patient Days	56	58	289	264	(25)
Other Patient Days	134	143	646	629	(17)
Total Patient Days of Care	190	201	935	893	(42)
Average Daily Census	6.1	6.5	7.6	7.3	(0.3)
Medi-Cal Average Days	1.4	1.7	1.5	1.5	(0.0)
Other Average Days	1.1	1.7	1.6	1.7	0.1
Total Average Days Stay	1.5	1.7	1.6	1.6	0.1
<b><u>ADULTS &amp; PEDIATRICS</u></b>					
Medicare Admissions	326	323	1,264	1,239	(25)
Medi-Cal Admissions	277	229	958	957	(1)
Other Admissions	341	288	1,154	1,189	35
Total Admissions	944	840	3,376	3,385	9
Medicare Patient Days	1,474	1,430	5,533	5,451	(82)
Medi-Cal Patient Days	1,056	975	4,415	4,011	(404)
Other Patient Days	975	930	3,809	4,025	216
Total Patient Days of Care	3,505	3,335	13,757	13,487	(270)
Average Daily Census	113.1	107.6	111.8	109.7	(2.2)
Medicare Average Length of Stay	4.5	4.5	4.4	4.3	(0.1)
Medi-Cal Average Length of Stay	3.6	3.8	3.8	3.4	(0.4)
Other Average Length of Stay	2.7	2.5	2.4	2.6	0.2
Total Average Length of Stay	3.6	3.5	3.4	3.4	(0.0)
Deaths	31	21	120	100	(20)
Total Patient Days	3,695	3,536	14,692	14,380	(312)
Medi-Cal Administrative Days	1	0	96	74	(22)
Medicare SNF Days	0	0	0	0	0
Over-Utilization Days	0	0	0	0	0
Total Non-Acute Days	1	0	96	74	(22)
Percent Non-Acute	0.03%	0.00%	0.65%	0.51%	-0.14%

**SALINAS VALLEY MEMORIAL HOSPITAL**

**PATIENT STATISTICAL REPORT**

For the month of Oct and four months to date

	<u>Month of Oct</u>		<u>Four months to date</u>		<u>Variance</u>
	<u>2020</u>	<u>2021</u>	<u>2020-21</u>	<u>2021-22</u>	
<u>PATIENT DAYS BY LOCATION</u>					
Level I	276	289	983	1,041	58
Heart Center	350	329	1,366	1,290	(76)
Monitored Beds	905	691	3,541	3,078	(463)
Single Room Maternity/Obstetrics	309	302	1,480	1,411	(69)
Med/Surg - Cardiovascular	774	622	2,771	2,399	(372)
Med/Surg - Oncology	59	300	490	1,116	626
Med/Surg - Rehab	430	391	1,597	1,614	17
Pediatrics	90	73	281	349	68
Nursery	190	201	935	893	(42)
Neonatal Intensive Care	68	29	463	282	(181)
<u>PERCENTAGE OF OCCUPANCY</u>					
Level I	68.49%	71.71%	61.48%	65.10%	
Heart Center	75.27%	70.75%	74.04%	69.92%	
Monitored Beds	108.12%	82.56%	106.62%	92.68%	
Single Room Maternity/Obstetrics	26.94%	26.33%	32.52%	31.00%	
Med/Surg - Cardiovascular	55.48%	44.59%	50.06%	43.34%	
Med/Surg - Oncology	14.64%	74.44%	30.64%	69.79%	
Med/Surg - Rehab	53.35%	48.51%	49.94%	50.47%	
Med/Surg - Observation Care Unit	0.00%	58.63%	0.00%	43.38%	
Pediatrics	16.13%	13.08%	12.69%	15.76%	
Nursery	37.15%	39.30%	23.04%	22.00%	
Neonatal Intensive Care	19.94%	8.50%	34.22%	20.84%	

**SALINAS VALLEY MEMORIAL HOSPITAL**  
**PATIENT STATISTICAL REPORT**  
For the month of Oct and four months to date

	<u>Month of Oct</u>		<u>Four months to date</u>		<u>Variance</u>
	<u>2020</u>	<u>2021</u>	<u>2020-21</u>	<u>2021-22</u>	
<u>DELIVERY ROOM</u>					
Total deliveries	124	103	595	529	(66)
C-Section deliveries	40	38	186	172	(14)
Percent of C-section deliveries	32.26%	36.89%	31.26%	32.51%	1.25%
<u>OPERATING ROOM</u>					
In-Patient Operating Minutes	21,423	20,615	95,367	81,588	(13,779)
Out-Patient Operating Minutes	32,230	24,545	96,766	99,142	2,376
Total	53,653	45,160	192,133	180,730	(11,403)
Open Heart Surgeries	10	12	51	49	(2)
In-Patient Cases	156	150	636	569	(67)
Out-Patient Cases	322	239	1,088	981	(107)
<u>EMERGENCY ROOM</u>					
Immediate Life Saving	38	30	99	156	57
High Risk	522	471	2,014	1,764	(250)
More Than One Resource	2,147	2,639	8,622	10,513	1,891
One Resource	947	1,704	6,430	6,966	536
No Resources	21	72	165	397	232
Total	<u>3,675</u>	<u>4,916</u>	<u>17,330</u>	<u>19,796</u>	<u>2,466</u>

**SALINAS VALLEY MEMORIAL HOSPITAL**  
**PATIENT STATISTICAL REPORT**  
For the month of Oct and four months to date

	<u>Month of Oct</u>		<u>Four months to date</u>		<u>Variance</u>
	<u>2020</u>	<u>2021</u>	<u>2020-21</u>	<u>2021-22</u>	
<b>CENTRAL SUPPLY</b>					
In-patient requisitions	15,731	14,526	54,415	61,580	7,165
Out-patient requisitions	11,493	9,025	42,755	37,291	-5,464
Emergency room requisitions	2,012	1,238	6,869	6,060	-809
Interdepartmental requisitions	6,620	5,951	26,803	23,822	-2,981
Total requisitions	<u>35,856</u>	<u>30,740</u>	<u>130,842</u>	<u>128,753</u>	<u>-2,089</u>
<b>LABORATORY</b>					
In-patient procedures	36,032	32,487	137,071	131,590	-5,481
Out-patient procedures	11,737	12,136	43,004	46,166	3,162
Emergency room procedures	8,958	10,875	34,104	44,632	10,528
Total patient procedures	<u>56,727</u>	<u>55,498</u>	<u>214,179</u>	<u>222,388</u>	<u>8,209</u>
<b>BLOOD BANK</b>					
Units processed	<u>368</u>	<u>215</u>	<u>1,180</u>	<u>1,091</u>	<u>-89</u>
<b>ELECTROCARDIOLOGY</b>					
In-patient procedures	922	851	3,662	3,657	-5
Out-patient procedures	394	385	1,613	1,591	-22
Emergency room procedures	791	908	3,248	3,943	695
Total procedures	<u>2,107</u>	<u>2,144</u>	<u>8,523</u>	<u>9,191</u>	<u>668</u>
<b>CATH LAB</b>					
In-patient procedures	83	92	311	363	52
Out-patient procedures	101	85	357	377	20
Emergency room procedures	0	0	1	0	-1
Total procedures	<u>184</u>	<u>177</u>	<u>669</u>	<u>740</u>	<u>71</u>
<b>ECHO-CARDIOLOGY</b>					
In-patient studies	297	358	1,160	1,325	165
Out-patient studies	232	247	769	942	173
Emergency room studies	3	0	11	4	-7
Total studies	<u>532</u>	<u>605</u>	<u>1,940</u>	<u>2,271</u>	<u>331</u>
<b>NEURODIAGNOSTIC</b>					
In-patient procedures	142	134	670	605	-65
Out-patient procedures	20	31	104	100	-4
Emergency room procedures	0	0	0	0	0
Total procedures	<u>162</u>	<u>165</u>	<u>774</u>	<u>705</u>	<u>-69</u>

**SALINAS VALLEY MEMORIAL HOSPITAL**  
**PATIENT STATISTICAL REPORT**  
For the month of Oct and four months to date

	<u>Month of Oct</u>		<u>Four months to date</u>		<u>Variance</u>
	<u>2020</u>	<u>2021</u>	<u>2020-21</u>	<u>2021-22</u>	
<b>SLEEP CENTER</b>					
In-patient procedures	1	0	1	0	-1
Out-patient procedures	219	171	758	708	-50
Emergency room procedures	0	0	0	0	0
Total procedures	<u>220</u>	<u>171</u>	<u>759</u>	<u>708</u>	<u>-51</u>
<b>RADIOLOGY</b>					
In-patient procedures	1,380	1,154	5,163	4,819	-344
Out-patient procedures	734	467	2,841	1,774	-1,067
Emergency room procedures	1,073	1,289	4,352	5,044	692
Total patient procedures	<u>3,187</u>	<u>2,910</u>	<u>12,356</u>	<u>11,637</u>	<u>-719</u>
<b>MAGNETIC RESONANCE IMAGING</b>					
In-patient procedures	145	123	513	489	-24
Out-patient procedures	147	125	567	490	-77
Emergency room procedures	14	5	50	26	-24
Total procedures	<u>306</u>	<u>253</u>	<u>1,130</u>	<u>1,005</u>	<u>-125</u>
<b>MAMMOGRAPHY CENTER</b>					
In-patient procedures	3,311	3,921	12,152	14,484	2,332
Out-patient procedures	3,288	3,880	12,094	14,359	2,265
Emergency room procedures	0	1	0	8	8
Total procedures	<u>6,599</u>	<u>7,802</u>	<u>24,246</u>	<u>28,851</u>	<u>4,605</u>
<b>NUCLEAR MEDICINE</b>					
In-patient procedures	21	13	59	52	-7
Out-patient procedures	80	74	300	311	11
Emergency room procedures	1	0	3	3	0
Total procedures	<u>102</u>	<u>87</u>	<u>362</u>	<u>366</u>	<u>4</u>
<b>PHARMACY</b>					
In-patient prescriptions	88,943	81,060	333,910	332,023	-1,887
Out-patient prescriptions	15,440	15,427	61,940	62,571	631
Emergency room prescriptions	5,593	7,289	20,953	28,435	7,482
Total prescriptions	<u>109,976</u>	<u>103,776</u>	<u>416,803</u>	<u>423,029</u>	<u>6,226</u>
<b>RESPIRATORY THERAPY</b>					
In-patient treatments	19,536	16,005	73,074	73,858	784
Out-patient treatments	427	1,027	1,797	4,274	2,477
Emergency room treatments	153	209	440	935	495
Total patient treatments	<u>20,116</u>	<u>17,241</u>	<u>75,311</u>	<u>79,067</u>	<u>3,756</u>
<b>PHYSICAL THERAPY</b>					
In-patient treatments	2,395	2,249	9,313	9,085	-228
Out-patient treatments	256	393	1,129	1,365	236
Emergency room treatments	0	0	0	0	0
Total treatments	<u>2,651</u>	<u>2,642</u>	<u>10,442</u>	<u>10,450</u>	<u>8</u>



**SALINAS VALLEY MEMORIAL HOSPITAL**  
**PATIENT STATISTICAL REPORT**  
For the month of Oct and four months to date

	Month of Oct		Four months to date		Variance
	2020	2021	2020-21	2021-22	
<b>OCCUPATIONAL THERAPY</b>					
In-patient procedures	1,556	1,277	5,262	6,030	768
Out-patient procedures	131	217	481	675	194
Emergency room procedures	0	0	0	0	0
Total procedures	1,687	1,494	5,743	6,705	962
<b>SPEECH THERAPY</b>					
In-patient treatments	395	390	1,550	1,678	128
Out-patient treatments	28	31	97	122	25
Emergency room treatments	0	0	0	0	0
Total treatments	423	421	1,647	1,800	153
<b>CARDIAC REHABILITATION</b>					
In-patient treatments	0	0	0	0	0
Out-patient treatments	253	670	1,391	2,647	1,256
Emergency room treatments	0	0	0	0	0
Total treatments	253	670	1,391	2,647	1,256
<b>CRITICAL DECISION UNIT</b>					
Observation hours	294	298	1,040	1,104	64
<b>ENDOSCOPY</b>					
In-patient procedures	101	94	388	398	10
Out-patient procedures	17	33	108	137	29
Emergency room procedures	0	0	0	0	0
Total procedures	118	127	496	535	39
<b>C.T. SCAN</b>					
In-patient procedures	603	562	2,191	2,235	44
Out-patient procedures	550	346	2,159	1,553	-606
Emergency room procedures	545	603	1,916	2,408	492
Total procedures	1,698	1,511	6,266	6,196	-70
<b>DIETARY</b>					
Routine patient diets	16,047	17,869	64,658	69,697	5,039
Meals to personnel	21,105	21,676	84,776	87,120	2,344
Total diets and meals	37,152	39,545	149,434	156,817	7,383
<b>LAUNDRY AND LINEN</b>					
Total pounds laundered	105,293	97,563	414,960	390,687	-24,273



# Salinas Valley Memorial Healthcare System

2021 Q3 Portfolio Review

November 16<sup>th</sup>, 2021

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  - Cash Reserve Executive Summary
- Disclosures Section 5

SECTION 1

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# Capital Markets Overview

# Capital Markets Overview

## Topics of Discussion:

- Rates
- Inflation
- Growth
- Earnings
- Valuations
- Risk & Opportunities

BENCHMARK	YTD 2021*	TRAILING 1 YEAR*	2020	PRIOR PEAK TO TROUGH**	SINCE MARKET TROUGH***
BC Aggregate	(1.55%)	(0.90%)	7.51%	(0.94%)	3.09%
BC Govt 1-3 Year	(0.03%)	0.02%	3.16%	2.06%	0.38%
BC Credit Baa	(0.73%)	3.27%	9.43%	(15.79%)	16.04%
BC High Yield	4.53%	11.28%	7.11%	(20.76%)	24.47%
FTSE WGBI	(2.56%)	(3.36%)	7.98%	2.83%	(1.75%)
JPM EM Bonds	(1.36%)	4.36%	5.26%	(20.70%)	17.55%
MSCI ACWI	11.49%	27.98%	16.82%	(33.60%)	52.84%
S&P 500	15.92%	30.01%	18.40%	(33.79%)	56.21%
Russell 2000	12.41%	47.68%	19.96%	(40.66%)	69.67%
MSCI ACWI exUS	6.29%	24.45%	11.13%	(32.91%)	45.50%
MSCI EM	(0.99%)	18.58%	18.69%	(31.15%)	42.90%
HFRI FoF Comp	5.50%	13.45%	10.62%	(1.28%)	11.22%
90-Day T-Bill	0.03%	0.06%	0.58%	0.14%	0.17%

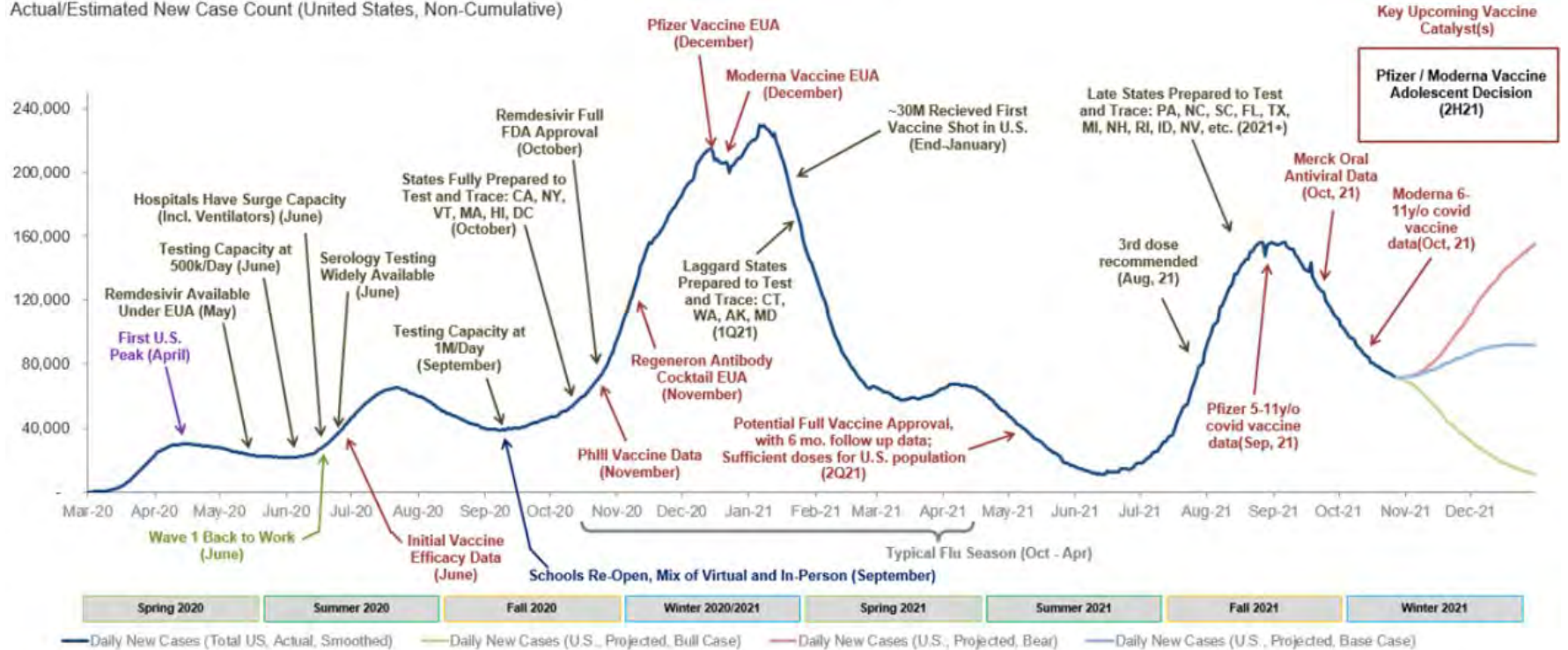
\*YTD and Trailing 1 Year as of 9/30/2021

\*\*Prior Peak to Trough: 2/19/2020-3/23/2020

\*\*\*Since Market Trough: 3/23/2020-9/30/2021

# Back to Work Chart and Upcoming Vaccine Catalysts

Actual/Estimated New Case Count (United States, Non-Cumulative)



Data Source: Morgan Stanley Research. COVID-19 Vaccine: Vaccine Rollout and Reopening Tracking. October 29, 2021

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# Current Indicators: Fixed Income Valuation

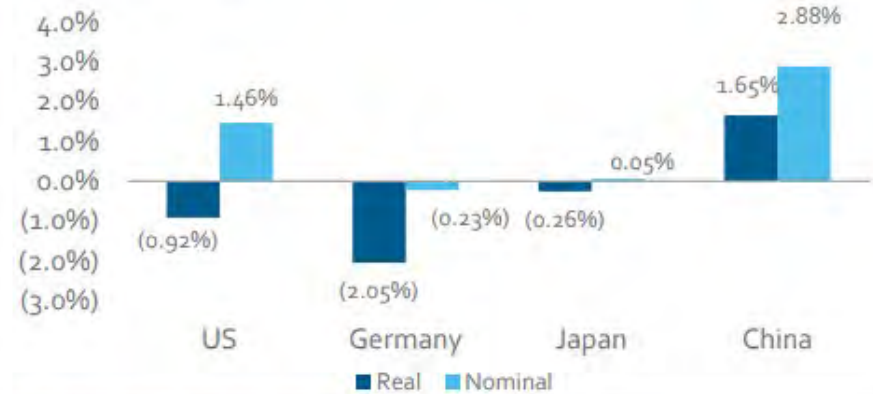
## Treasury Valuation by Maturity

As of October 15, 2021

US Treasury Benchmark	Yield (%)			Total Return (%)
	Current	ΔWTD	ΔYTD	YTD
3-Month	0.04	-0.01	-0.02	0.04
2-Year	0.36	0.04	0.24	-0.12
5-Year	1.05	-0.01	0.69	-2.13
10-Year	1.51	-0.10	0.60	-4.12
30-Year	2.01	+0.15	0.37	-7.61
2-Yr./10-Yr. Spread (bp)	115.05	-14.35	35.84	-
10-Yr. TIPS Breakeven (bp)	253.57	2.49	54.89	-
Interest Rate Volatility† (bp)	59.35	+0.30	-7.23	-

## 10-Year Global Government Bond Yields

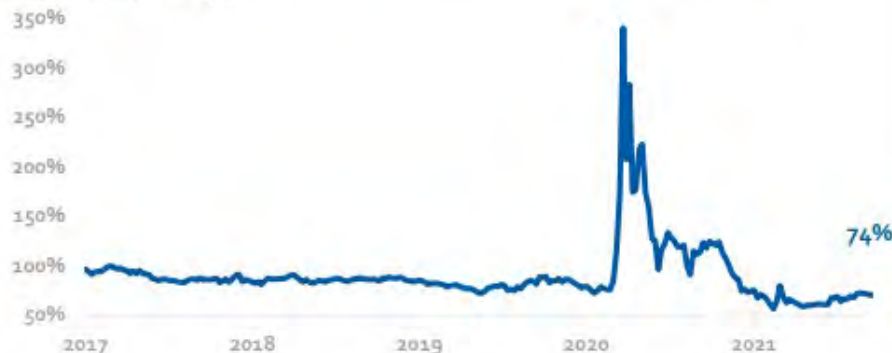
As of October 15, 2021



## 10-Year Relative Value Ratio (Municipal Yield/Treasury Yield)

As of October 15, 2021

% of Corresponding USTs



## Fixed Income Valuation by Rating

As of October 15, 2021

Investment Grade	Duration (Yrs.)	Yield-to-Worst (%)	OAS (bp)	Rich	OAS Range**		Cheap
					Current	Past Two Years (bp)	
MBS*	4.91	1.88	25	7	7	132	
AAA	6.07	1.41	11	4	4	54	
AA	8.45	1.75	47	45	45	200	
A	8.39	2.00	69	64	64	304	
BBB	8.67	2.44	106	102	102	473	
High Yield	BB	4.67	3.29	203	163	163	858
B	3.22	4.60	324	290	290	1,147	
CCC	2.85	6.46	534	451	451	1,815	

Source: Bloomberg, Haver Analytics, Evercore ISI Investor Surveys, Commitments of Traders (COT) Report, Morgan Stanley Wealth Management GIC. Option Adjusted Spread (OAS) is a measurement of the spread of a fixed income security rate and the risk-free rate of return, which is adjusted to take into account an embedded option. The risk-free rate represents the interest an investor would expect from an absolutely risk-free investment over a specified period of time.

### Chart Source: Morgan Stanley Markets Library – Current Indicators

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# Comparison of Valuation Multiples

(as of October 18, 2021)

Asset Class	Prior Market Top Valuation 2/14/2020		Market Bottom Valuation 3/20/2020		Current Valuation 10/18/2021	
	Current	Average	Current	Average	Current	Average
<b>Cash</b>						
90-Day US Treasury Bills	1.58	1.65	1.58	1.63	0.04	1.24
<b>Global Equities (P/E)</b>						
US Large-Cap Growth	27.0	20.0	18.8	19.9	32.1	19.4
US Large-Cap Value	14.9	13.6	10.0	13.6	16.2	13.5
US Mid-Cap Growth	28.3	24.6	18.9	24.0	37.4	21.4
US Mid-Cap Value	15.3	14.4	8.8	14.4	15.8	14.5
US Small-Cap Growth	31.2	23.8	19.2	23.7	33.8	24.5
US Small-Cap Value	16.8	17.3	9.5	17.3	16.4	17.7
Europe Equity	15.1	13.6	11.1	13.6	15.3	13.2
Japan Equity	14.4	17.8	11.0	17.7	15.4	16.5
Asia Pacific ex Japan Equity	16.6	14.4	12.5	14.4	17.0	14.5
Emerging Markets	12.9	11.0	10.3	11.0	12.9	11.4
<b>Global Fixed Income (Spread)</b>						
Short-Term Fixed Income	11.0	31.0	92.0	31.0	9.0	31.0
US Fixed Income	41.0	53.5	127.0	52.5	33.0	50.0
International Fixed Income	37.0	49.0	78.0	49.0	33.0	48.0
High Yield	436.0	494.5	1119.0	494.5	385.0	475.5
Emerging Markets Fixed Income	294.0	322.5	637.0	322.5	289.0	312.5
<b>Major Indices (P/E)</b>						
S&P 500	18.9	15.5	13.3	15.5	20.7	15.5
Russell 2000	23.5	21.2	15.5	20.5	-	-
MSCI EAFE	15.0	14.3	11.2	14.2	15.5	13.8
MSCI AC World	16.8	14.9	12.2	14.8	18.0	14.7

**Notes:**

*Current - As of date Indicated*

*Average - 20-year average as of date indicated*

*Source: The GIC Weekly Equity Market Relative Valuation*

# Macro Forecast – Equities

Region/ Country	Index Name	Scenario	Index Value	MS Target Multiple 12M Forward	EPS					EPS Growth				
					2019 Act	2020 Act	2021 Est	2022 Est	2023 Est	2019 Act	2020 Act	2021 Est	2022 Est	2023 Est
US	S&P 500	Base	4225	19.0	164	140	205	209	234	5.0	-14.0	46.0	6.0	12.0
Europe	MSCI Europe	Base	2050	15.5	100	73	113	125	135	-2.0	-27.0	55.0	10.0	8.0
UK	FTSE 100	Base	7800	13.0	535	305	549	576	605	-4.0	-40.0	80.0	5.0	5.0
Japan	Topix	Base	2050	15.5	119	83	105	128	133	-1.9	-9.0	14.2	22.0	13.8
EM	MSCI EM	Base	1330	13.2	93	62	83	95	100	4.5	-6.0	32.8	14.5	12.4
Asia	MSCI APxJ	Base	680	15.0	32	30	39	44	45	3.6	-5.0	28.1	12.8	8.4
Hong Kong	Hang Seng	Base	26900	12.3	1996	1701	1895	2094	2186	3.5	0.0	7.6	10.5	8.4
Hong Kong	HSCEI	Base	9500	8.5	1056	951	951	1061	1111	4.6	0.0	12.5	11.5	10.0
China	MSCI China	Base	100	13.0	6	6	6	7	8	15.3	-4.0	17.9	14.0	14.0
China	CSI300	Base	5260	13.8	315	285	330	368	381	8.6	-5.0	15.5	11.5	10.0

Source: Morgan Stanley Research. Data as of 7 Sep 2021

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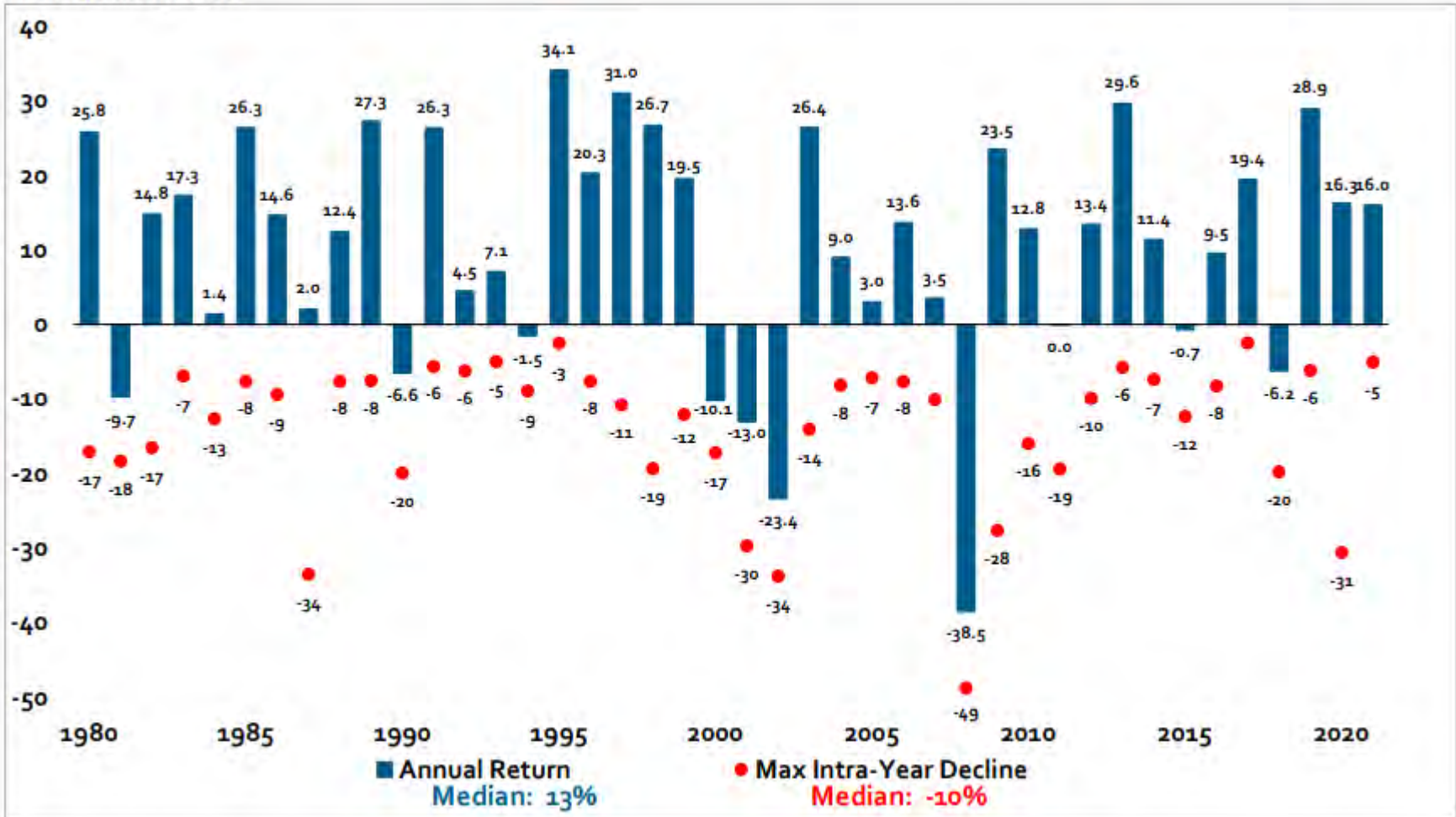
# Macro Forecast – Economics

Country	4Q21	1Q22	2Q22	3Q22	4Q22	2021E	2022E
<b>CPI</b>							
Global	3.7	3.5	3.1	2.6	2.6	3.2	2.9
G10	3.6	3.0	2.3	1.6	1.8	2.8	2.1
US	4.9	4.5	2.9	1.9	2.2	4.2	2.8
Euro Area	3.0	2.0	1.8	1.3	1.4	2.2	1.6
Japan	0.5	0.3	1.1	0.8	0.7	-0.3	0.7
UK	3.5	3.3	2.8	2.3	1.9	2.2	2.5
EM	3.8	3.9	3.7	3.4	3.2	3.5	3.5
<b>GDP</b>							
Global	4.8	4.9	4.7	4.7	4.1	6.3	4.6
G10	5.2	5.6	4.5	3.9	3.2	5.2	4.2
US	6.1	5.3	4.5	3.9	3.2	6.0	4.2
Euro Area	5.6	6.9	5.4	3.7	3.0	5.4	4.7
Japan	0.7	2.5	3.0	3.4	2.6	2.3	2.9
UK	7.6	10.0	4.7	3.0	2.0	7.4	4.8
EM	4.5	4.4	4.8	5.5	4.8	7.0	4.9
<b>POLICY RATE</b>							
Global	2.1	2.1	2.1	2.1	2.2	-	-
G10	-0.1	-0.1	-0.1	-0.1	-0.1	-	-
US	0.125	0.125	0.125	0.125	0.125	-	-
Euro Area	-0.5	-0.5	-0.5	-0.5	-0.5	-	-
Japan	-0.1	-0.1	-0.1	-0.1	-0.1	-	-
UK	0.1	0.1	0.1	0.25	0.25	-	-
EM	3.8	3.7	3.8	3.9	3.9	-	-

Source: Morgan Stanley Research. Data as of 1 Oct 2021

# S&P 500 Returns and Intra-Year Declines

As of September 30, 2021



Source: Bloomberg, Morgan Stanley Wealth Management GIC. Intra-year declines are defined as the peak-to-trough decline during the year based on price return.

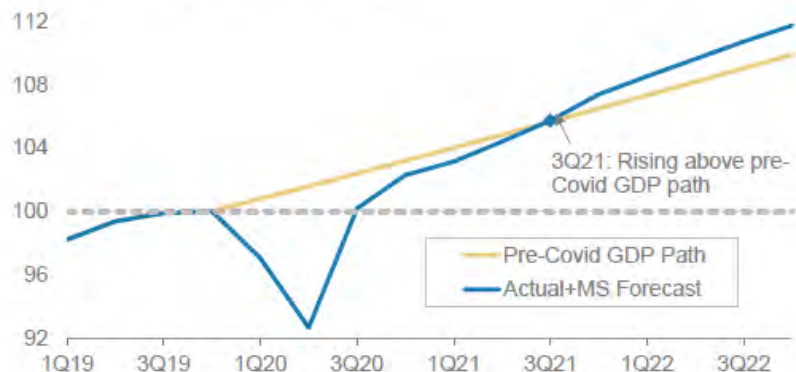
Chart Source: Morgan Stanley Markets Library - Market History

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# Macro Outlook: A 'Normal' Cycle, Just Hotter...

## Global GDP to Rise Above pre-COVID 19 Path in 3Q21...

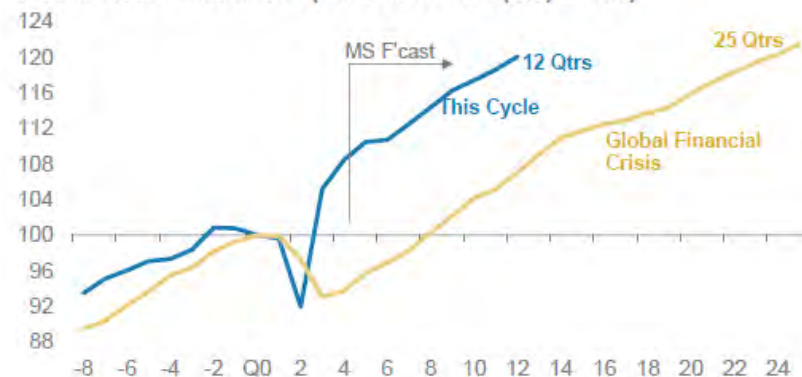
Global Real GDP Level (4Q19=100)



Source: Haver Analytics, Morgan Stanley Research forecasts

## ...Driven by a Much Sharper Recovery in Global Capex

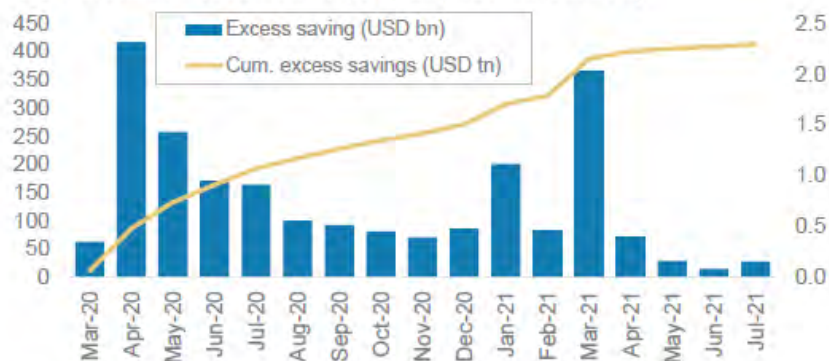
Global Real Investment (Pre-recession (Q0) = 100)



Source: Haver Analytics, national sources, Morgan Stanley Research forecasts; Note: The global aggregate is a weighted average using PPP weights.

## Elevated Excess Savings in the US an Important Cushion

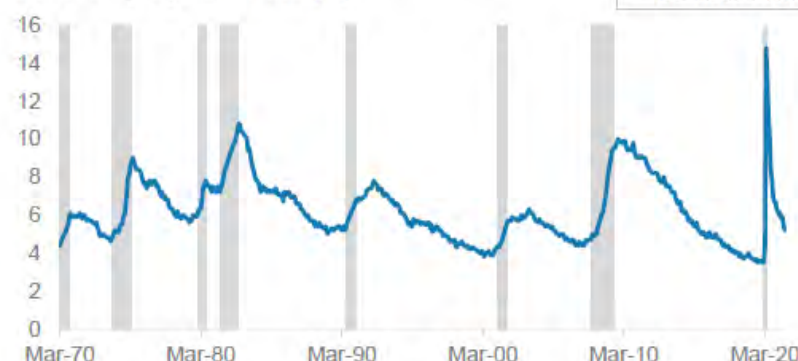
US Personal Excess Savings (\$ bn, not annualized)



Source: BEA, Haver Analytics, Morgan Stanley Research

## We Have Just Seen the Shortest Recession on Record

US Unemployment Rate (%)

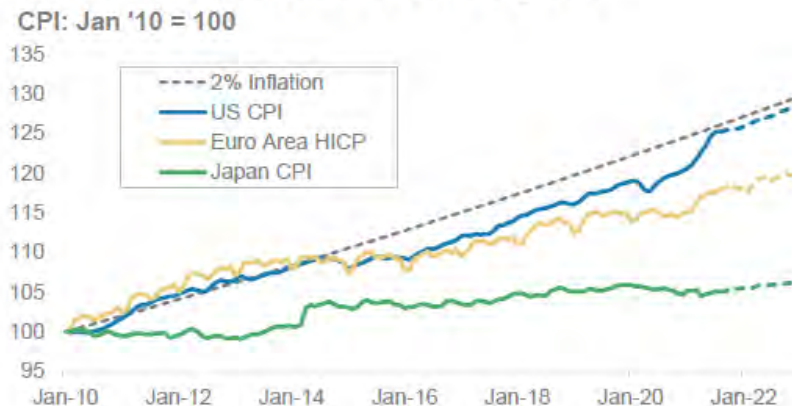


Source: NBER, Bloomberg, Morgan Stanley Research

# Macro Outlook: Policy Divergence and the Start of Tapering

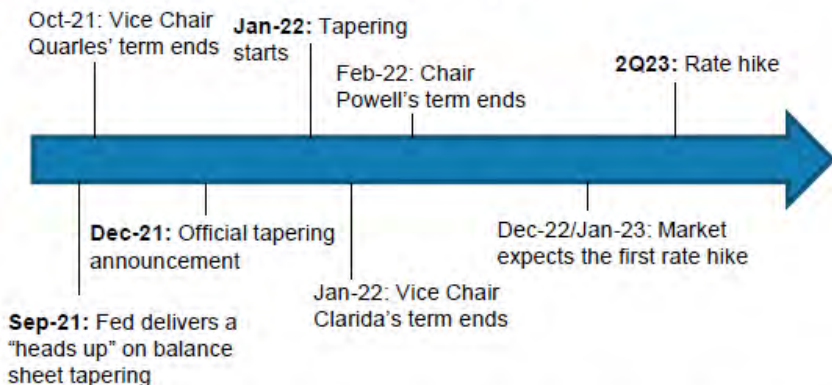
- We expect the Fed to signal its intent to taper at the September meeting, while the BoE, ECB and RBA all dial back their purchase pace between now and year-end. We think that the pace of rate hikes could be faster than expected once they begin.
- As central bank policy becomes less easy, it also becomes more divergent: Inflationary pressures in the euro area, Switzerland and Japan are very different than those in the US (and parts of EM), and those very different conditions should support a very different policy response.

## Inflation Pressures Differ Across Regions



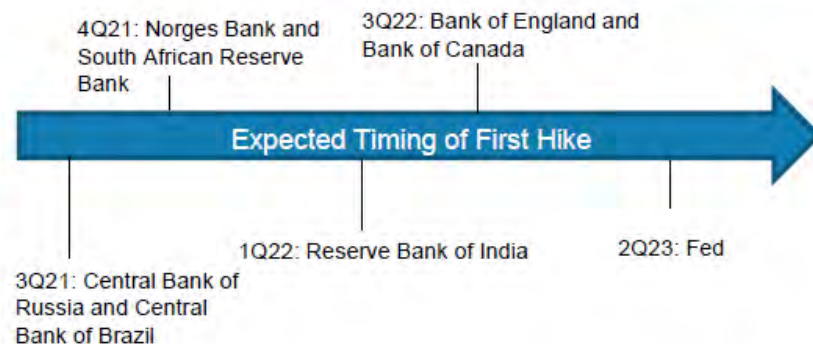
Source: Haver Analytics, Morgan Stanley Research forecasts; Note: Dotted lines are MS forecasts.

## Fed Policy to Normalise Gradually



Source: Morgan Stanley Research; Note: The dates in bold represent Morgan Stanley base case forecasts.

## In DM, Norges Bank to Hike First, Followed by BoE and BoC



Source: Morgan Stanley Research forecasts

# Macro Outlook: A Hotter, Shorter Cycle (Three Ways)

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## Strong Fundamentals and Technicals versus Rich Valuations Leave Us with a Modest OW

- Overall exposure is similar to last month as we attempt to embrace April seasonality.
- Morgan Stanley economists remain above-consensus on global growth.
- Central bank purchases still at a record pace, fund inflows and money market balances remain high.
- Our cycle models are positive, suggesting above-average forward returns to equities/credit.
- Post-Pandemic, Shocks to Both Aggregate Demand and Supply.

## A Hotter, Shorter Cycle (Three Ways)

- A hotter economic cycle, with a faster return of 2%Y+ inflation, below-average unemployment.
- A hotter business cycle, with a faster return to high leverage and high CEO confidence.
- A hotter markets cycle, with a faster return to peak valuations and investor optimism.

## Expecting a Trickier Summer

- Our economists expect core US inflation to rise above 2%Y, and stay there, starting next month. The rate of change should peak in May (similar to May 2010). Seasonality gets worse.

Source: Morgan Stanley Research Cross-Asset Playbook, April 19, 2021

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# Summary and Outlook

## The Market Environment

- In early 2020, performance of risk assets became increasingly volatile, culminating in a bear market beginning February 19<sup>th</sup>. From peak to trough, the stock market (the S&P 500) lost -34%. Between the March 23<sup>rd</sup> trough and year end, it rebounded 68%, to end the year with gains of +16%
- Sources of risk: Covid-19 pandemic, shape of the recovery, liquidity, most valuations are at the higher end of the historical ranges (i.e. investment grade credit, large growth equities, etc.)
- Policy response has been extremely robust globally via both monetary and fiscal stimulus and support.
- Current cycle has favored large/mega cap growth stocks creating a large relative performance and valuation dispersion between value stocks and growth stocks.

## Areas of Opportunity

- Distressed investments in all asset classes. Opportunistically taking advantage of dislocations.
- Less liquid public credit and private credit without direct Fed support may have greater risk return tradeoff
- Active, less-constrained strategies and hedge funds can take advantage of improved alpha opportunity set (Relative Value, Event Driven, and Equity Long/Short)
- Private equity/private credit may add value via the illiquidity premium and longer time horizons
- Private real assets, including real estate and infrastructure, can offer an alternative source of income

## Positioning/Recommendations

- Maintain well-diversified portfolios (by asset class, geography, investment style, and sector/industry)
- Rebalance portfolios regularly to align with strategic targets and take advantage of valuation dislocations
- Within bond portfolios, pair investments in core fixed income (for stability) with allocations to global/opportunistic fixed income (for diversification/alpha)
- To the extent permitted by each investor's Investment Policy Statement, utilize alternative strategies (hedge funds and private investments) to potentially improve the risk/return profile of the portfolio and take advantage of special opportunities and market distress.



SECTION 2

---

# Fixed Income Markets Overview

## MARKET PERSPECTIVES

## HIGH GRADE AT A GLANCE – AS OF 10/01/21

MARKET YIELDS\*\*\*:

Term	US Tsy	Govt Agy	(A) Corp	(A) Corp - US Tsy Spread	(AAA) MMD	(A) MMD	(AAA) - (A) MMD Spread^	(A) MMD TEY*	(A) Breakeven Tax Rate Corp / Muni**
6 MO	0.04	0.07	0.18	0.14	-	-	-	-	-
1 YR	0.07	0.11	0.24	0.16	0.13	0.20	0.07	0.34	15%
2 YR	0.26	0.26	0.41	0.14	0.17	0.27	0.10	0.46	34%
3 YR	0.49	0.51	0.72	0.23	0.24	0.36	0.12	0.61	50%
5 YR	0.93	0.94	1.27	0.34	0.51	0.64	0.13	1.08	50%
7 YR	1.25	1.28	1.72	0.46	0.84	1.07	0.23	1.81	38%
10 YR	1.46	1.59	2.18	0.72	1.14	1.39	0.25	2.35	36%
15 YR	1.66	1.88	2.71	1.05	1.30	1.59	0.29	2.69	41%
20 YR	1.97	2.14	2.88	0.91	1.47	1.76	0.29	2.97	39%
30 YR	2.03	-	2.94	0.91	1.67	1.96	0.29	3.31	33%

INDEX INFORMATION\*\*\*\*:

Barclays Indices	Mat Range	Mod. Dur	Avg. Mat	YTW	MTD Return	YTD Return
<u>Tax-Exempt (Federal)</u>						
Muni Short	1-5	2.53	2.97	0.42	0.01	0.42
Muni Inter/Short	1-10	3.58	5.15	0.63	0.00	0.33
Muni Long Term	22+	7.75	26.53	1.85	(0.02)	1.55
<u>Taxable</u>						
1-5 Year Credit	1-5	2.83	3.05	0.87	0.12	0.26
U.S. Interm Credit	1-10	4.47	4.97	1.36	0.21	(0.27)
U.S. Long Credit	10+	15.16	23.66	3.09	0.63	(2.04)

\*TEY: Taxable equivalent yield calculated based on a combined 40.8% federal tax, assuming a 37.0% federal marginal tax rate and a 3.8% Affordable Care Act tax.

\*\*TEY: [(A) MMD / (1 - Combined Tax Rates)] / [1 - Breakeven Tax Rate: (1 / (A Corp / A MMD) - 1)]. ^MMD spread calculation: (A) MMD yield - (AAA) MMD yield.

SOURCE: \*\*\*BLOOMBERG, L.P., \*\*\*\*BARCLAYS, MMD: Municipal Market Data

YIELD CURVE STEEPNESS\*\*\*:

Benchmark	2/5	2/10	2/30	5/10	5/30	10/30	15/30
Treasury	66	120	177	53	110	57	37
(AAA) MMD	37	97	150	63	116	53	37

The section above illustrates the yield curve steepness of the U.S. Treasury market yields and that of the (AAA) MMD market yields, based on the rates listed in the Market Yields section. The yield curve is a line that plots the rates of bonds across different maturity dates. The yield curve steepness compares the difference in yields between the different yearly tenors shown.

ADDITIONAL MARKET DATA POINTS\*\*\*:

Federal Funds Rate	0.25%
Discount Rate	0.25%
Prime Rate	3.25%
1-Month LIBOR	0.08%

ECONOMIC DATA POINTS\*\*\*:

GDP (YoY)	12.2%	06/2021
GDP (QoQ)	6.7%	06/2021
Unemployment (USURTOT)	5.2%	08/2021
Employment (USERTOT)	58.5%	08/2021
Core CPI (YoY)	4.0%	08/2021
Core PCE (YoY)	3.6%	08/2021

The economic data points section above reflects the current % level of the economic indicators listed, as of the month/year listed.

CRC # 3137988 – 06/2020

SECTION 2

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# Consultant's Report

## SVMHS – Executive Summary IPS: Intermediate Term Reserve Portfolio

### Purpose:

The Intermediate Term Reserve Portfolio is designed for assets with a 3-5 year specific time-horizon. The objective is to generate total returns (income + growth) while maintaining preservation of capital and liquidity.

The portfolio will have a customized approach to optimize return given the liquidity needs of the Salinas Valley Memorial Health System which may be dynamic. The portfolio must operate within the constraints of the California Local Agency Investment Guidelines (See Addendum “B” of the IPS for specific guidelines)

### Investment Horizon:

3 to 5 Years

*The Investment Horizon is the time horizon to meet the goals and objectives of the fund. It is not the average maturity of the portfolio*

### Investment Objectives:

#### Primary Objective:

Preservation Capital – To minimize the probability of loss of principal over the investment horizon. Emphasis is placed on minimizing volatility rather than maximizing return.

#### Secondary Objective:

Liquidity – To ensure the ability to meet all expected or unexpected cash flow needs by investing in securities which can be sold readily and efficiently.

## SVMHS – Executive Summary IPS: Intermediate Term Reserve Portfolio

### Return Targets:

- T-Bills plus 1%.
- Long-Term “Strategic” Benchmark: Meet or exceed a benchmark comprised of a blend of indices mirroring the long-term strategic targets.

### Risk:

- Definition: Loss of capital over the investment horizon.
- Risk benchmark: Barclays 1-3 Year Government Bond Index
- Total portfolio risk: Volatility relative to the risk benchmark.

### Strategic Asset Allocation:

ASSET CLASS	TARGET	MINIMUM	MAXIMUM	CONSTRAINTS
Short Term Fixed Income	100%	0%	100%	California Local Agency Investment Guidelines
Cash & Equivalents	0%	0%	100%	California Local Agency Investment Guidelines

---

## SVMHS – Executive Summary IPS: Cash Reserve Portfolio

### Purpose:

The Cash Reserve Portfolio is designed to maintain an investment reserve and liquidity.

The portfolio will consist of liquid assets readily available to fund any cash needs. The portfolio must operate within the constraints of the California Local Agency Investment Guidelines – See Addendum “B” of the IPS for specific guidelines

### Investment Horizon:

60 to 90 days

*The Investment Horizon is the time horizon to meet the goals and objectives of the fund. It is not the average maturity of the portfolio*

### Investment Objectives:

#### Primary Objective:

Liquidity – To ensure the ability to meet all expected or unexpected cash flow needs by investing in securities which can be sold readily and efficiently.

#### Secondary Objective:

Preservation Capital – To minimize the probability of loss of principal over the investment horizon. Emphasis is placed on minimizing volatility rather than maximizing return.

## SVMHS – Executive Summary IPS: Cash Reserve Portfolio

### Return Targets:

- To beat the rate of inflation as measured by the CPI
- Strategic Benchmark: Meet or exceed a benchmark comprised of a blend of indices mirroring the strategic targets

### Risk:

- Definition: Loss of capital over the investment horizon.
- Risk benchmark: 100% 90-day T-bill Index
- Total portfolio risk: Volatility relative to the risk benchmark.

### Strategic Asset Allocation:

ASSET CLASS	TARGET	MINIMUM	MAXIMUM	CONSTRAINTS
Cash & Equivalents	100%	0%	100%	California Local Agency Investment Guidelines

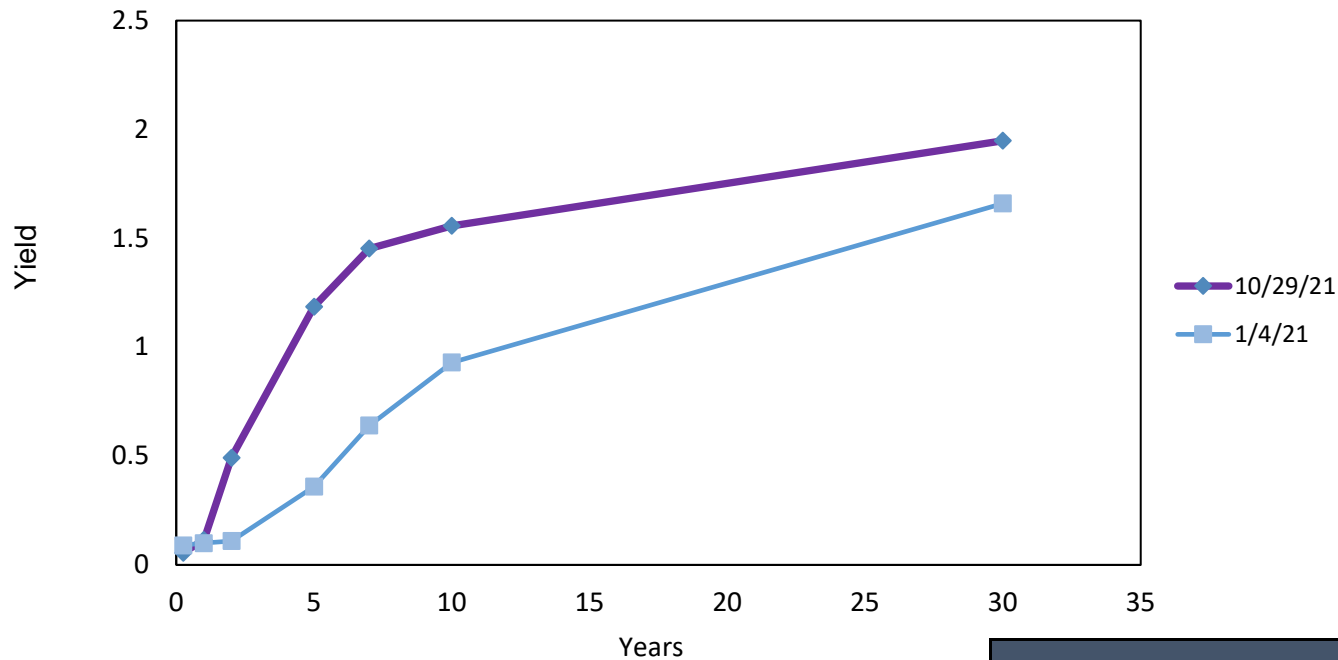
# SVMHS Update

## Monthly Updates

- To review cash flow needs, investment balances and compliance with SVMHS investment policy
- Graystone and CFO's office review total investment assets on a monthly basis to ensure optimization and compliance with state guidelines
- We review bank balances, LAIF funds, Board Designated, General Account and Commercial Paper Portfolio
- Continued monthly calls with the staff to review the cash flow needs for compliance

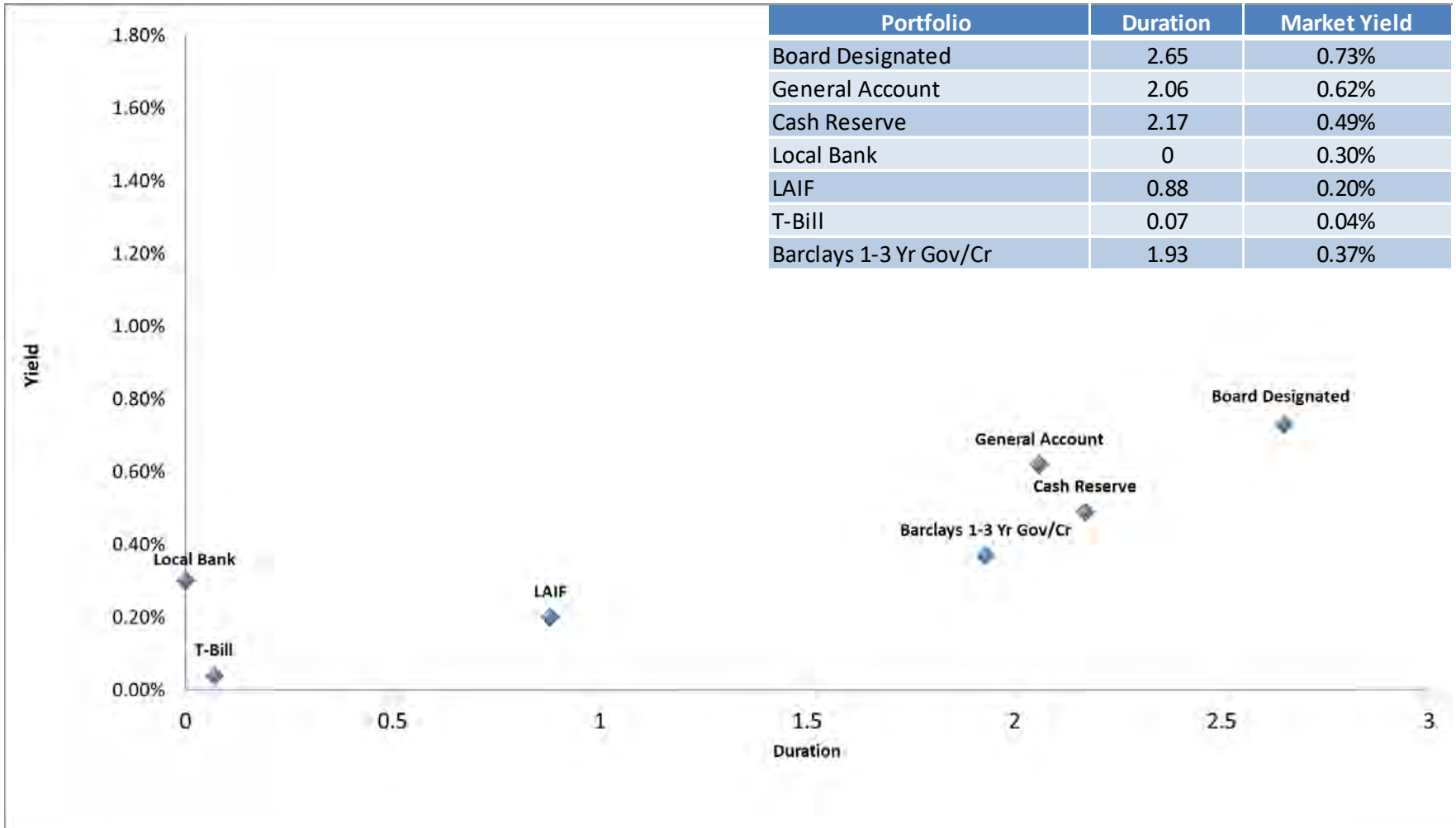


# U.S. Treasury Yield Curve



Description	US Treasury Yield		2021 YTD Change
	10/29/21	1/4/21	
3 Month	0.056	0.09	-0.03
1 Year	0.114	0.1	0.01
2 Year	0.493	0.11	0.38
5 Year	1.186	0.36	0.83
7 Year	1.453	0.64	0.81
10 Year	1.557	0.93	0.63
30 Year	1.948	1.66	0.29
Fed Funds Target	0.25	0.25	0.00

# Yield vs. Duration as of 09/30/2021



## Summary Statistics - Portfolio Review

*As of 09/30/2021*

	Board Designated	General Account	Cash Reserve	Consolidated
<b>Market Value</b>	<b>\$145,896,252</b>	<b>\$84,375,478</b>	<b>\$63,421,224</b>	<b>\$293,692,954</b>
<b>Weighted Average Effective Maturity</b>	06/27/2024	11/22/2023	11/12/2023	03/07/2024
<b>Weighted Average Modified Duration (yrs.)</b>	2.65	2.06	2.17	<b>2.38</b>
<b>Weighted Average Yield at Cost</b>	1.34%	1.61%	0.53%	<b>1.24%</b>
<b>Weighted Average Yield at Market</b>	0.73%	0.62%	0.49%	<b>0.64%</b>
<b>Economic Income (12 months)</b>	\$1,931,514	\$1,344,355	\$334,935	\$3,610,805
<b>Weighted Average Coupon</b>	2.59%	2.67%	1.69%	2.42%
<b>Weighted Average Credit Quality</b>	Aa3/A+	A1/A+	Aa1/AA+	Aa3/AA-

*Please see important disclosures at the end of the material*

## Board Designated and General Account Overview

Board Designated Contributions 2021:	
01/28/2021	\$1,000,000
02/26/2021	\$1,000,000
03/29/2021	\$1,000,000
04/27/2021	\$1,000,000
05/24/2021	\$1,000,000
06/25/2021	\$1,000,000
07/27/2021	\$1,000,000
08/23/2021	\$1,000,000
09/24/2021	\$1,000,000
10/20/2021	\$1,000,000

Account	09/30/2021 Account Value
<b>Board Designated</b>	<b>\$145,896,252</b>
<b>General Account</b>	<b>\$84,375,478</b>
<b>Sub-Total</b>	<b>\$230,271,730</b>
<b>Cash Reserve</b>	<b>\$63,421,224</b>
<b>Total</b>	<b>\$293,692,954</b>

Please see important disclosures at the end of the material

## SVMHS Total Portfolio

Allocation % as of 09/30/2021

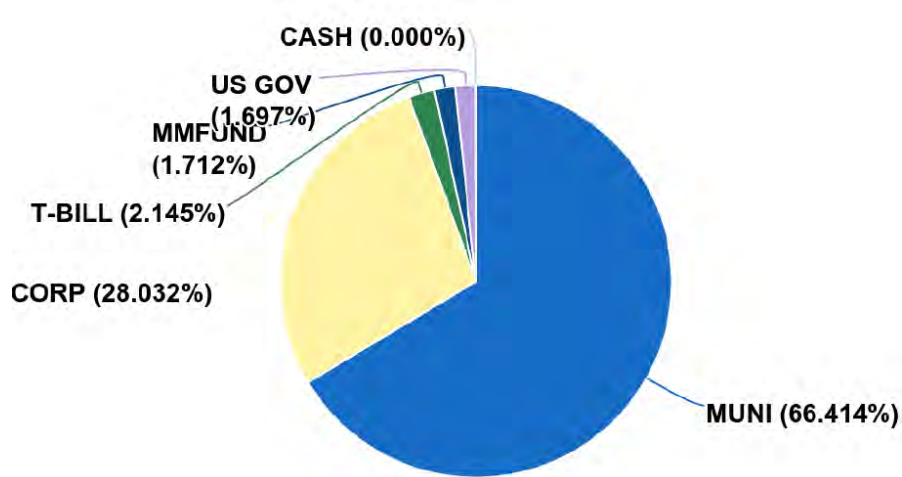
Asset	Board Designated	Average Yield	General Account	Average Yield	Cash Reserve	Average Yield	Consolidated	Market Yield
Corporate	30.67%	0.80%	41.09%	0.59%	4.59%	0.29%	<b>28.03%</b>	<b>0.69%</b>
Municipals	67.55%	0.72%	58.80%	0.63%	73.94%	0.59%	<b>66.41%</b>	<b>0.66%</b>
Money Market Funds	0.89%	0.01%	0.11%	0.01%	5.73%	0.01%	<b>1.71%</b>	<b>0.01%</b>
T-Bill	0.89%	0.06%			7.88%	0.06%	<b>2.14%</b>	<b>0.06%</b>
US Govt					7.86%	0.50%	<b>1.70%</b>	<b>0.50%</b>
Cash								
Total	100%	0.73%	100%	0.62%	100%	0.49%	<b>100%</b>	<b>0.64%</b>

IPS allows for a maximum of 30% in Corporate

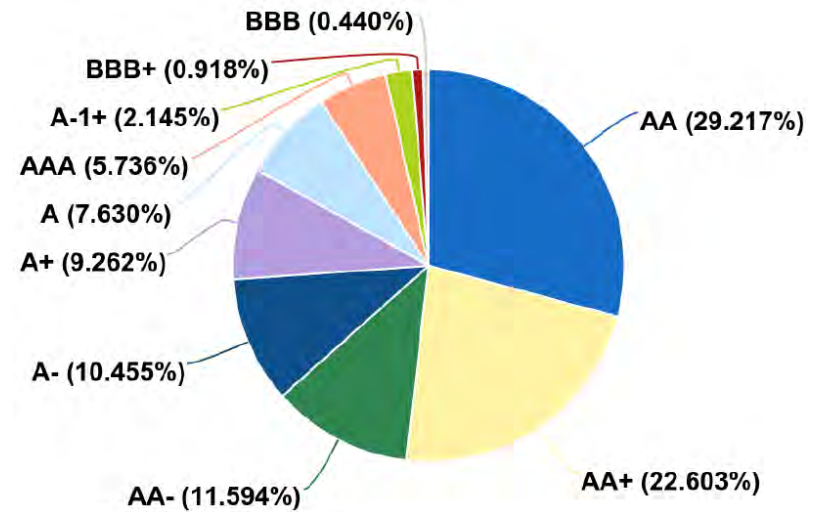
*Please see important disclosures at the end of the material*

# Aggregate Portfolio - Asset Allocation & Credit Quality

## Asset Allocation



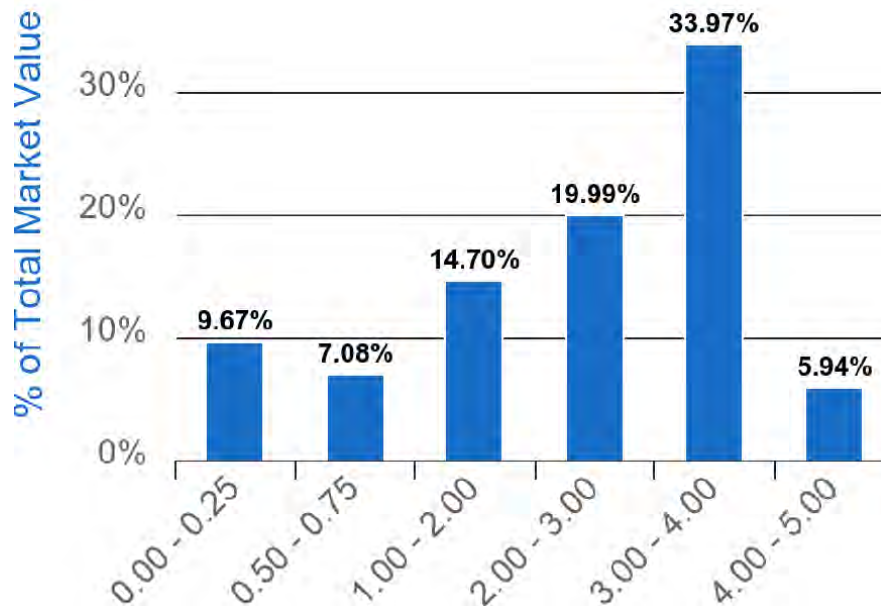
## Credit Quality



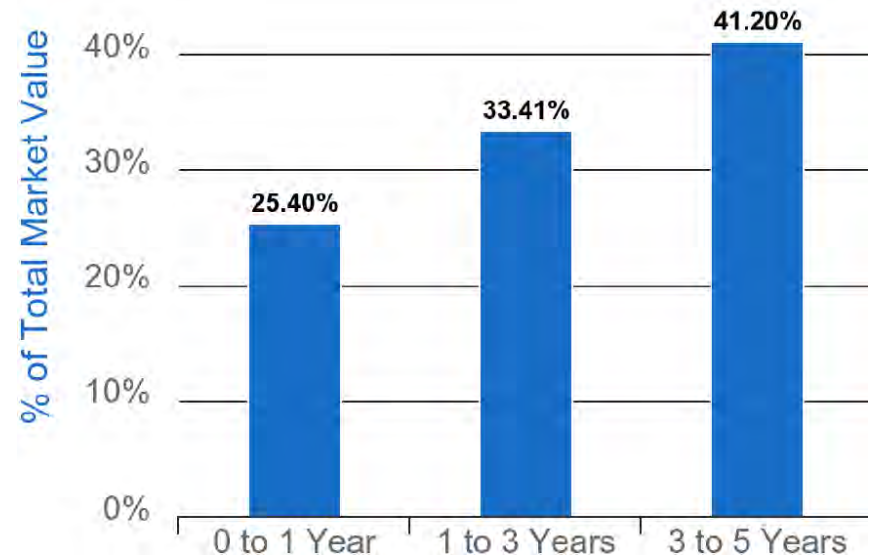
As of 9/30/2021

# Aggregate Portfolio - Duration & Maturity Characteristics

## Duration

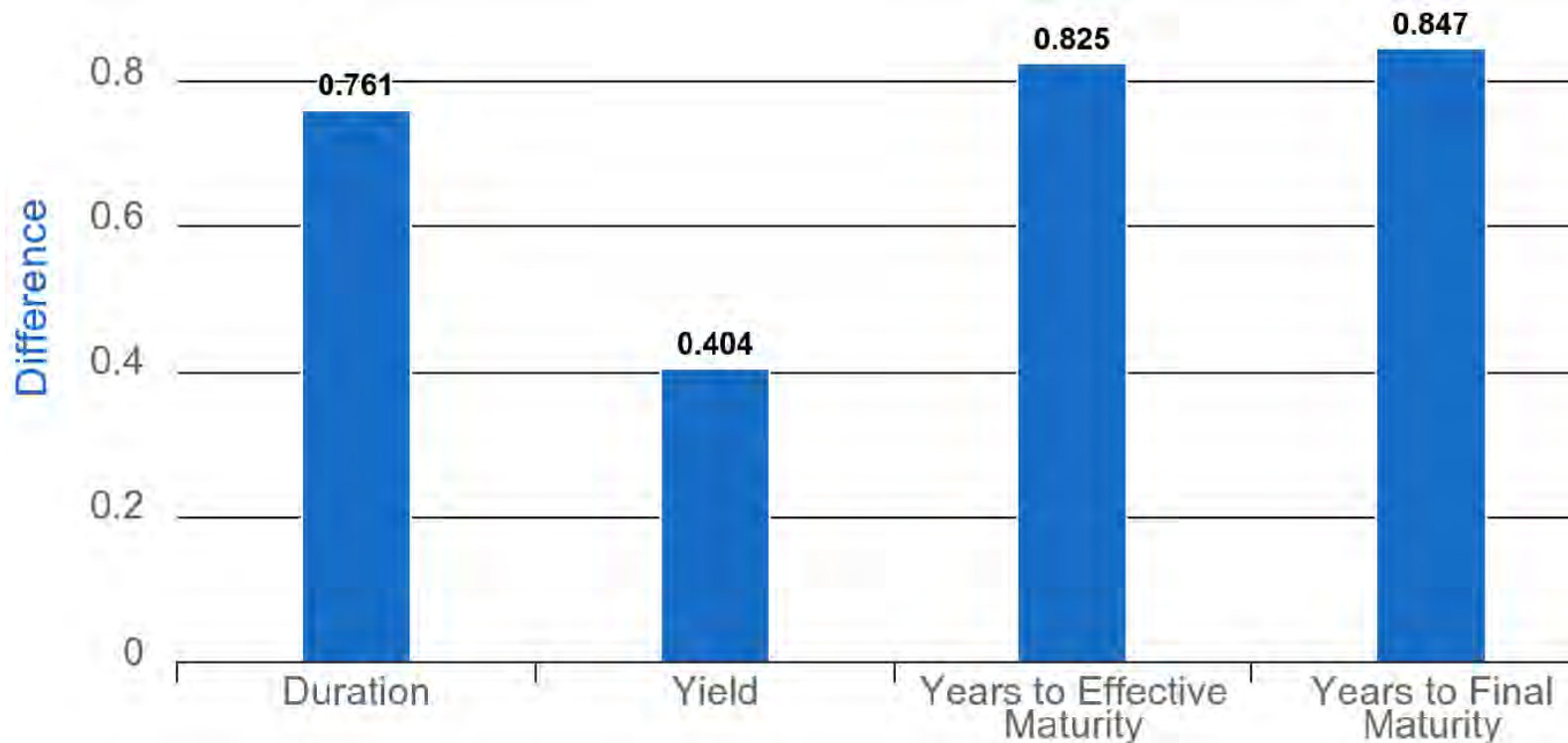


## Maturity



As of 9/30/2021

## Aggregate Portfolio Index Comparison - Summary



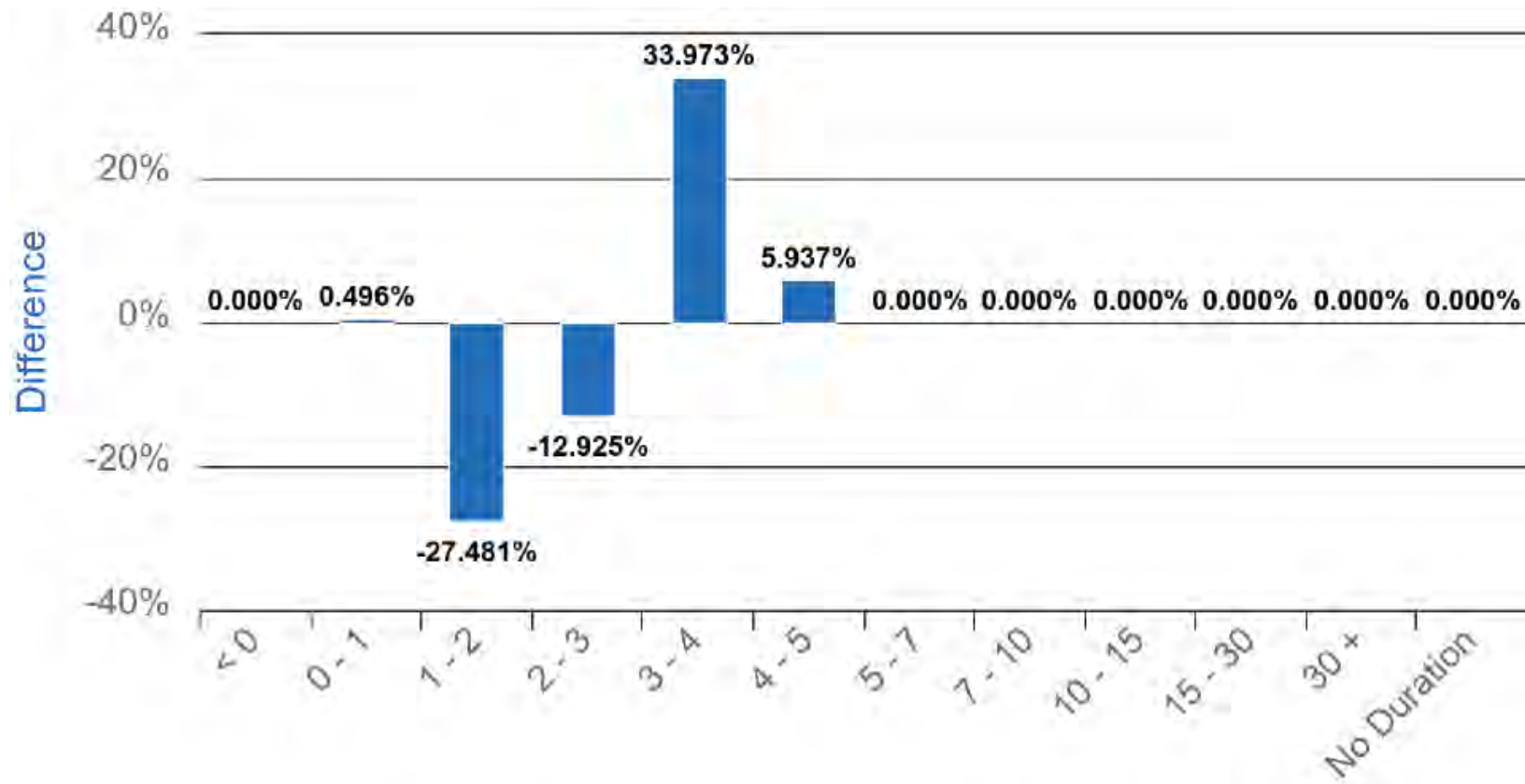
Blended Index (**78.4%** Barclays 1-3 Yr Gov / **21.6%** 1-3 Mo T-Bills)

- Board Designated: Barclays 1-3 Yr Gov (49.7%)
- General Account: Barclays 1-3 Yr Gov (28.7%)
- Cash Reserve: Barclays 1-3 Mo U.S. T-Bills (21.6%)

As of 9/30/2021



## Aggregate Portfolio Index Comparison - Duration

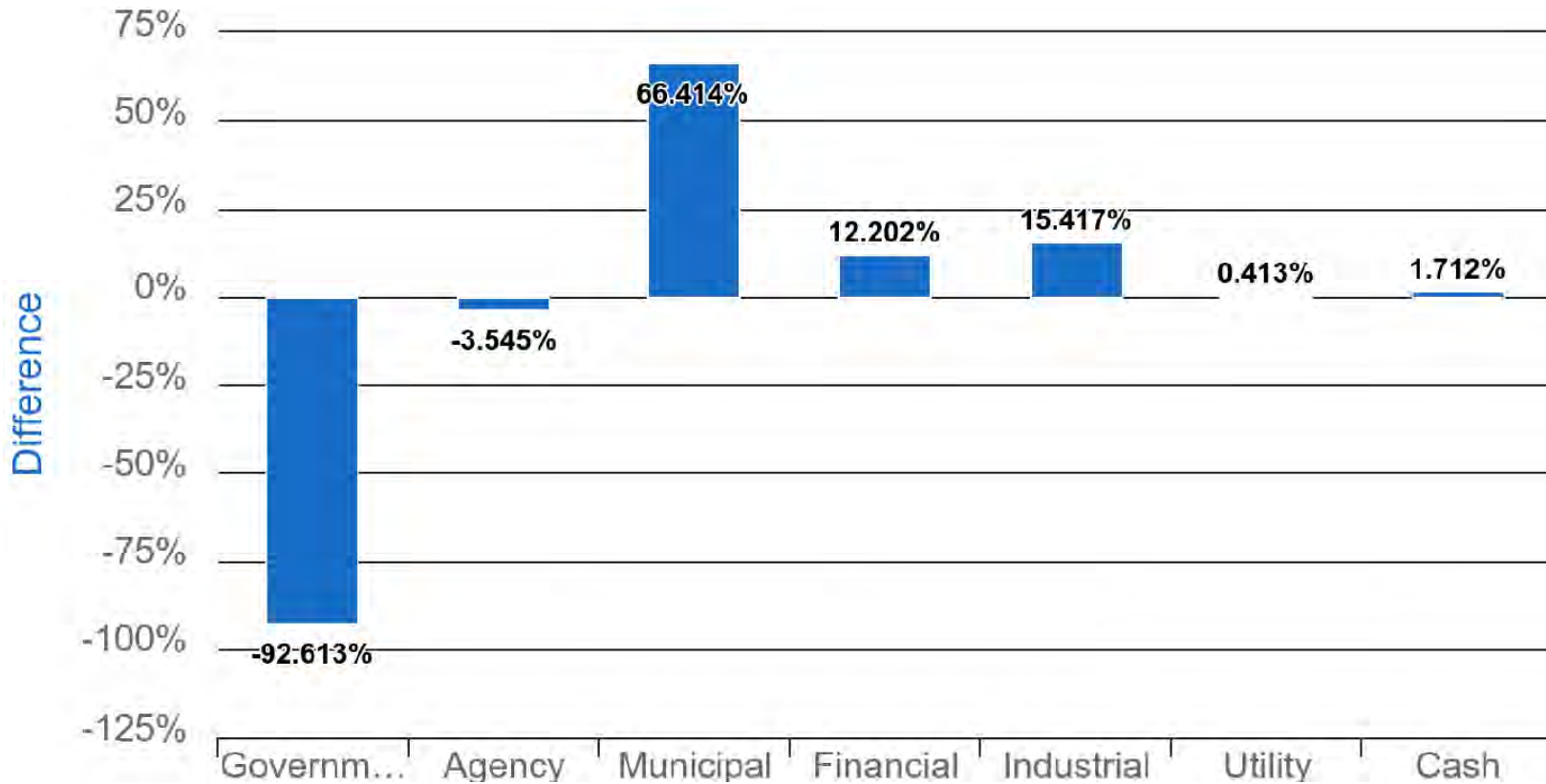


Blended Index (**78.4%** Barclays 1-3 Yr Gov / **21.6%** 1-3 Mo T-Bills)

- Board Designated: Barclays 1-3 Yr Gov (49.7%)
- General Account: Barclays 1-3 Yr Gov (28.7%)
- Cash Reserve: Barclays 1-3 Mo U.S. T-Bills (21.6%)

As of 9/30/2021

## Aggregate Portfolio Index Comparison – Market Sector

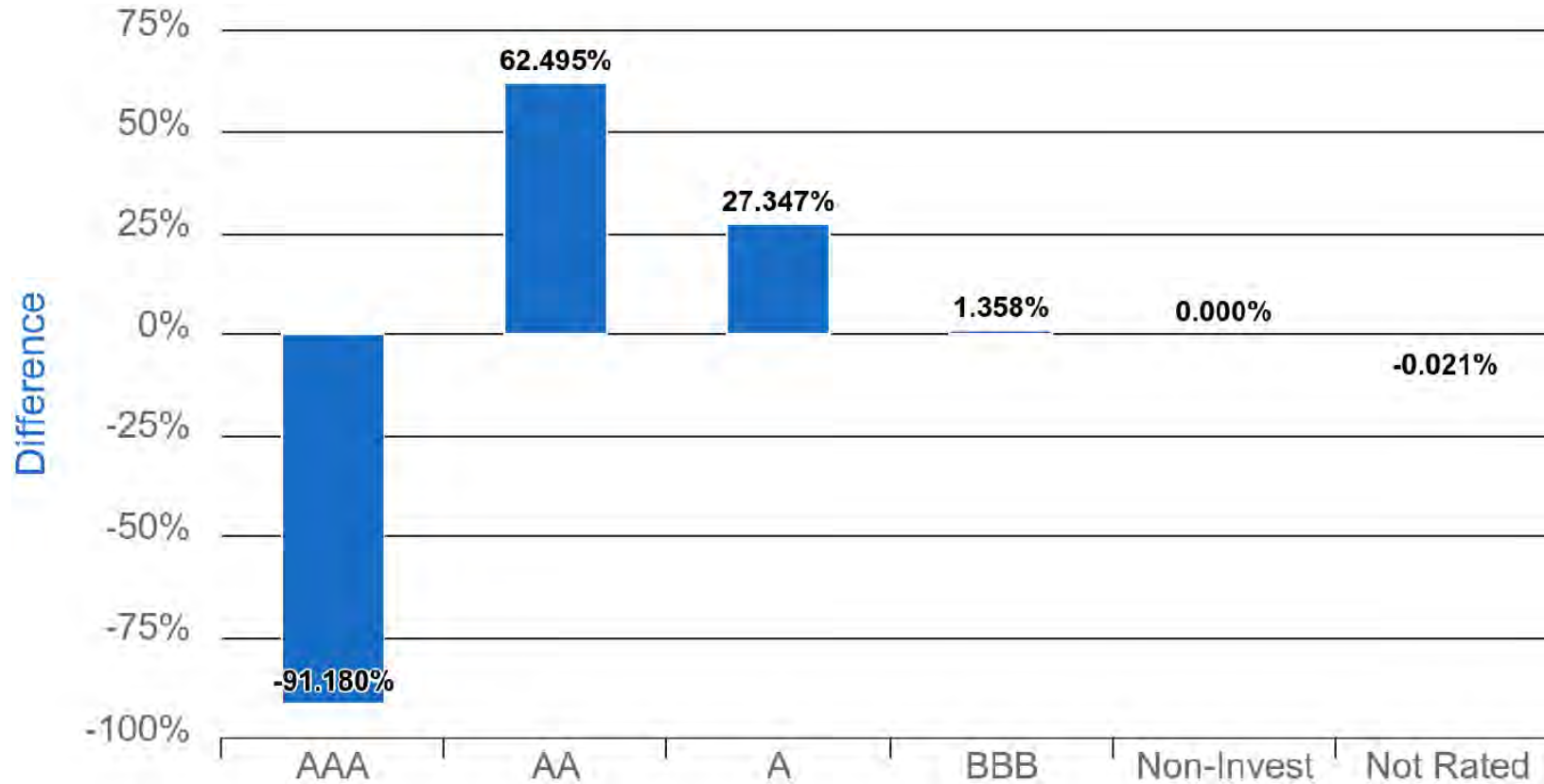


Blended Index (**78.4%** Barclays 1-3 Yr Gov / **21.6%** 1-3 Mo T-Bills)

- Board Designated: Barclays 1-3 Yr Gov (49.7%)
- General Account: Barclays 1-3 Yr Gov (28.7%)
- Cash Reserve: Barclays 1-3 Mo U.S. T-Bills (21.6%)

As of 9/30/2021

## Aggregate Portfolio Index Comparison – Credit Rating



Blended Index (78.4% Barclays 1-3 Yr Gov / 21.6% 1-3 Mo T-Bills)

- Board Designated: Barclays 1-3 Yr Gov (49.7%)
- General Account: Barclays 1-3 Yr Gov (28.7%)
- Cash Reserve: Barclays 1-3 Mo U.S. T-Bills (21.6%)

As of 9/30/2021

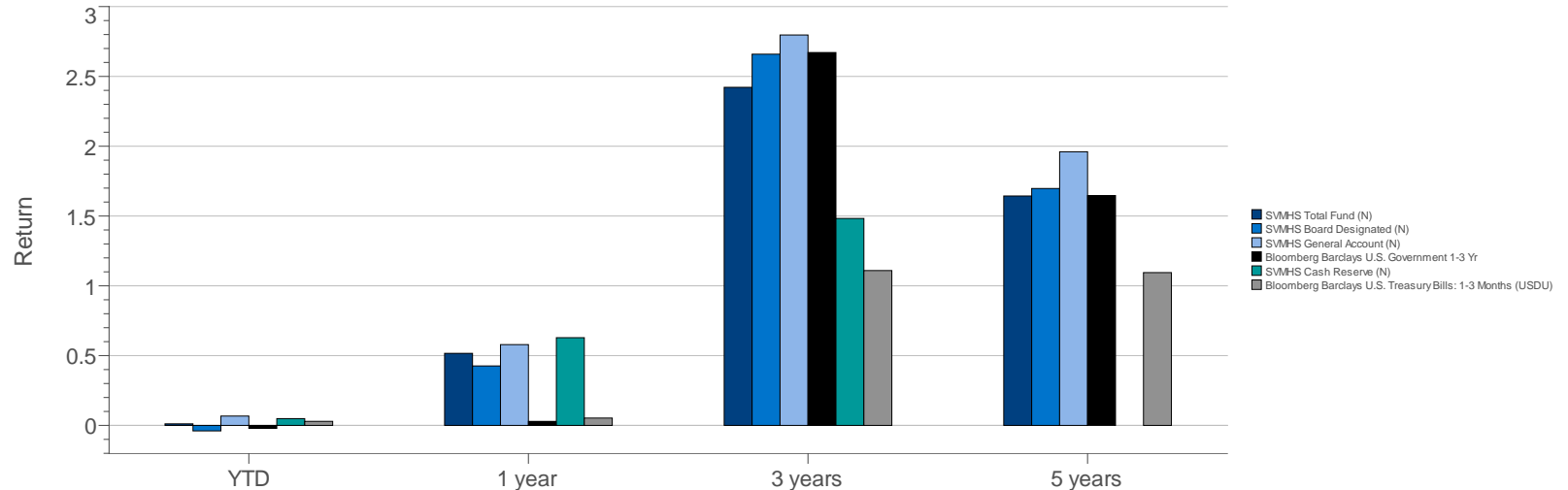
# Performance – As of 09/30/21

## Zephyr StyleADVISOR

Zephyr StyleADVISOR: Morgan Stanley - Newport Beach, CA

### Manager vs Benchmark: Return

October 2016 - September 2021 (not annualized if less than 1 year)

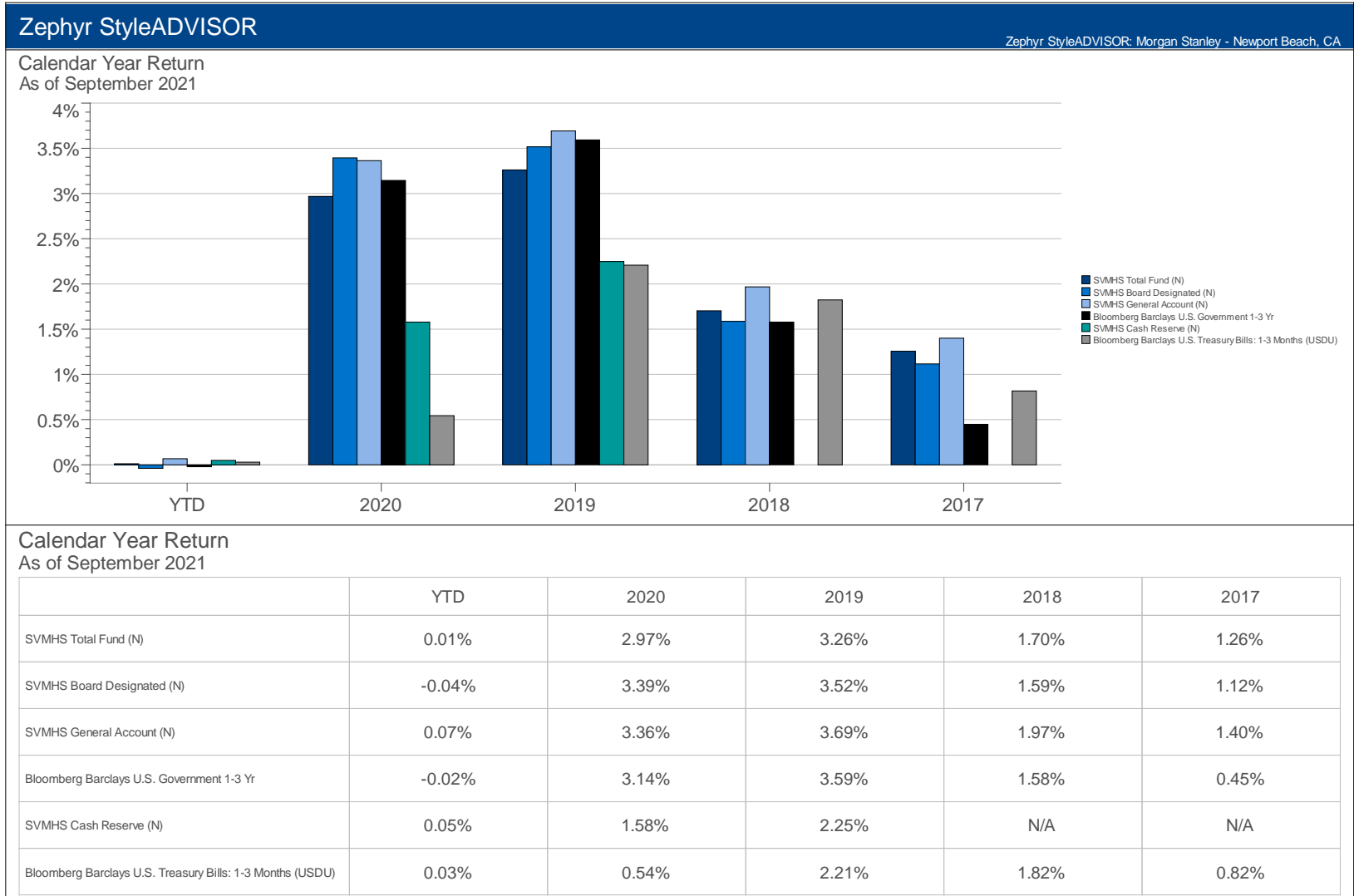


### Manager vs Benchmark: Return

October 2016 - September 2021 (not annualized if less than 1 year)

	YTD	1 year	3 years	5 years
SVMHS Total Fund (N)	0.01%	0.52%	2.42%	1.64%
SVMHS Board Designated (N)	-0.04%	0.43%	2.66%	1.70%
SVMHS General Account (N)	0.07%	0.58%	2.80%	1.96%
Bloomberg Barclays U.S. Government 1-3 Yr	-0.02%	0.03%	2.67%	1.65%
SVMHS Cash Reserve (N)	0.05%	0.63%	1.48%	N/A
Bloomberg Barclays U.S. Treasury Bills: 1-3 Months (USDU)	0.03%	0.05%	1.11%	1.09%

# Performance – As of 09/30/21



# Portfolio Attribution

## SVMH Board Designated and General Account

- Board Designated: YTD performance in line with benchmark
- General Account: YTD outperformed benchmark by 9 bps
  - Positive contributors: allocation to credit and munis
  - Negative contributors: slightly higher duration than index
    - Board Designated duration: 2.65 yrs
    - General Account duration: 2.06 yrs
    - Index (Barclays US Gov 1-3 Years): 1.93 yrs
- Board Designated: 1 Year beat benchmark by 40 bps
- General Account: 1 Year beat benchmark by 55 bps
  - Positive contributors: allocation to credit and munis
- Board Designated: 5 Year outperformed benchmark by 31 bps
- General Account: 5 Year outperformed benchmark by 16 bps
  - Positive contributors: allocation to credit and munis & slightly higher duration than index

### Portfolio Positioning

- **Neutral duration** to the benchmark +/- 6 month
- **Overweight corporates** (max 30% of total)
- **Overweight munis**
- Board Designated: Current yield approximately 73 bps vs. benchmark at 37 bps
- General Account: Current yield approximately 62 bps vs. benchmark at 37 bps

## Portfolio Attribution

### SVMH Cash Reserve

- YTD performance in line with benchmark
  - Positive contributors: allocation to short term munis
    - Duration: 2.17 yrs
    - Index (Barclays 1-3 Month T-bill): 0.07 yrs
- 1 Year outperformed benchmark by 58 bps
  - Positive contributors: allocation to short term munis

### Portfolio Positioning

- **Overweight duration** to the benchmark
- **Overweight munis**
- Current yield approximately 49 bps vs. benchmark at 4 bps

SECTION 4

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# Appendix



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# Board Designated Executive Summary

## Account Summary (1)

09/01/2021 - 09/30/2021

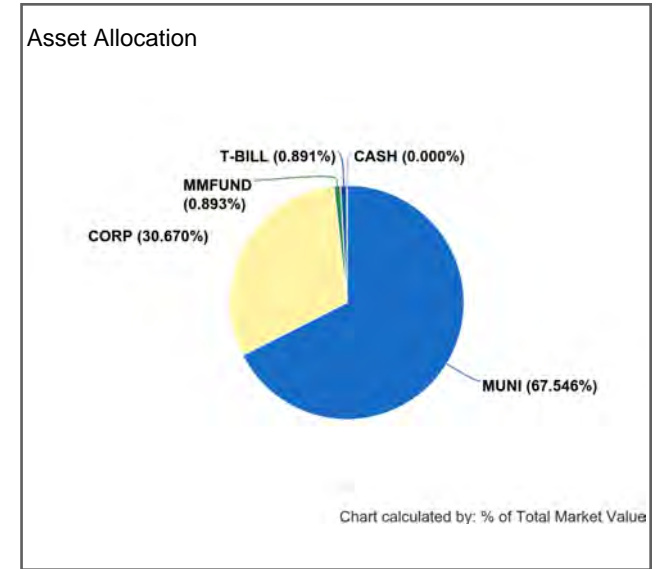
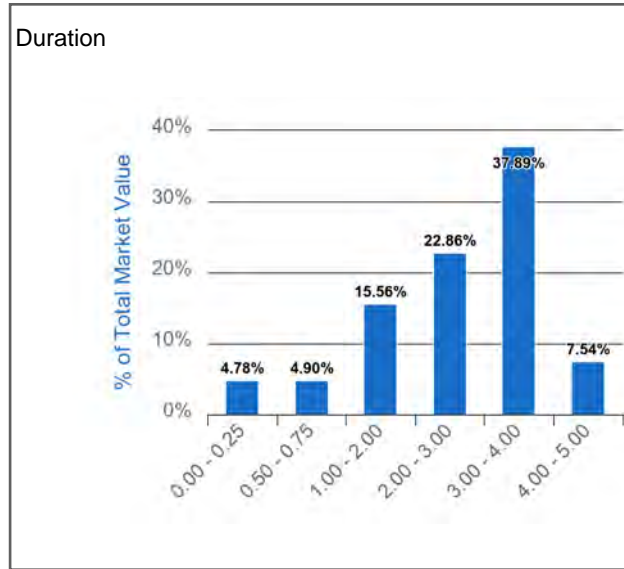
SVMHS Board Designated (55686)

Dated: 10/13/2021

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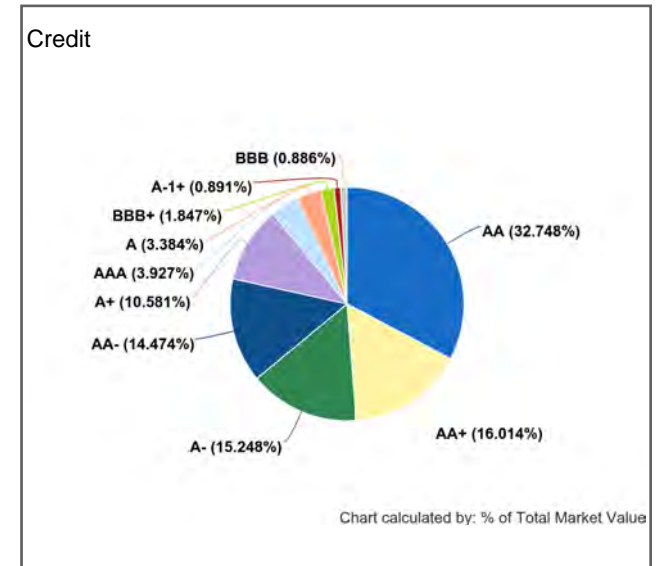
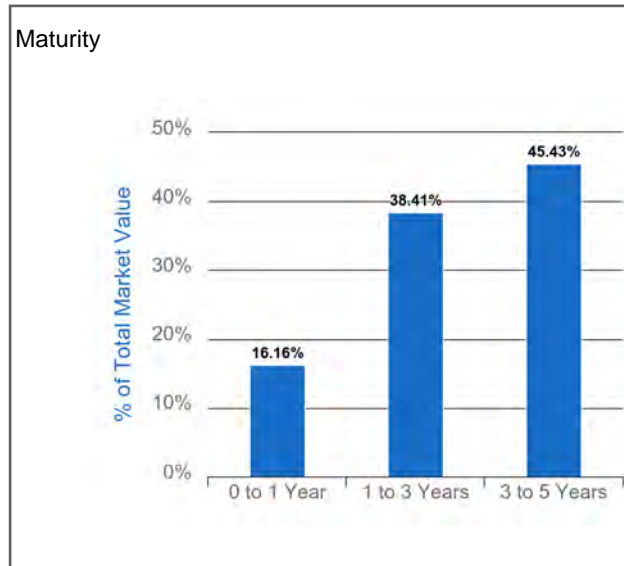
Portfolio Valuation Summary	
	<i>Portfolio</i>
Total Market Value	145,896,252
Market Value	144,968,632
Accrued Interest	927,620
Yield at Cost	1.34
Market Yield	0.73
Modified Duration	2.65
Coupon	2.59
Unrealized G/L	951,359
Economic Income (12 mo)	1,931,514
Moody's Rating	Aa3
S&P Rating	A+
Years to Final Maturity	2.76
Years to Effective Maturity	2.74
Eff Maturity	06/27/2024

Footnotes: 1,2,3



### Performance

Period	Total Return	Income Return	Price Return	Period Begin	Period End
Year to Date	-0.040%	1.046%	-1.086%	01/01/2021	09/30/2021
Trailing Month	-0.233%	0.114%	-0.347%	09/01/2021	09/30/2021
Trailing Quarter	0.080%	0.329%	-0.249%	07/01/2021	09/30/2021
Prior Month	0.011%	0.105%	-0.094%	08/01/2021	08/31/2021
Prior Quarter	0.482%	0.347%	0.134%	04/01/2021	06/30/2021
Prior Year	3.393%	1.934%	1.459%	01/01/2020	12/31/2020
Since Inception	8.891%	---	---	08/10/2016	09/30/2021



Source: Clearwater Analytics

Please refer to 9/30/2021 Clearwater report for additional details. Report was sent under separate cover on 10/22/2021

## Account Summary (3)

SVMHS Board Designated (55686)

Base Currency: USD As of 09/30/2021

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Dated: 10/13/2021

Security Type	Total Market Value	Market Value	Accrued Interest	% of Portfolio	Yield at Cost	Market Yield	Modified Duration	Coupon	Unrealized G/L	Economic Income (12 mo)	Moody's Rating	S&P Rating	Years to Final Maturity	Eff Maturity
CASH	47	47	0	0.00%	0.00	0.00	---	0.00	0	0	Aaa	AAA	0.00	09/30/2021
CORP	44,746,639	44,439,531	307,108	30.67%	1.50	0.80	2.67	2.80	257,375	662,789	A2	A	2.85	07/19/2024
MMFUND	1,302,949	1,302,949	0	0.89%	0.01	0.01	---	0.01	0	130	Aaa	NA	0.00	09/30/2021
MUNI	98,546,682	97,926,170	620,512	67.55%	1.31	0.72	2.68	2.57	693,991	1,267,935	Aa2	AA	2.79	07/13/2024
T-BILL	1,299,935	1,299,935	0	0.89%	0.05	0.06	0.09	0.00	-7	660	P-1	A-1+	0.09	11/02/2021
<b>---</b>	<b>145,896,252</b>	<b>144,968,632</b>	<b>927,620</b>	<b>100.00%</b>	<b>1.34</b>	<b>0.73</b>	<b>2.65</b>	<b>2.59</b>	<b>951,359</b>	<b>1,931,514</b>	<b>Aa3</b>	<b>A+</b>	<b>2.76</b>	<b>06/27/2024</b>

\* Grouped by: Security Type. \* Groups Sorted by: Security Type. \* Weighted by: Base Book Value + Accrued. \* Holdings Displayed by: Position.

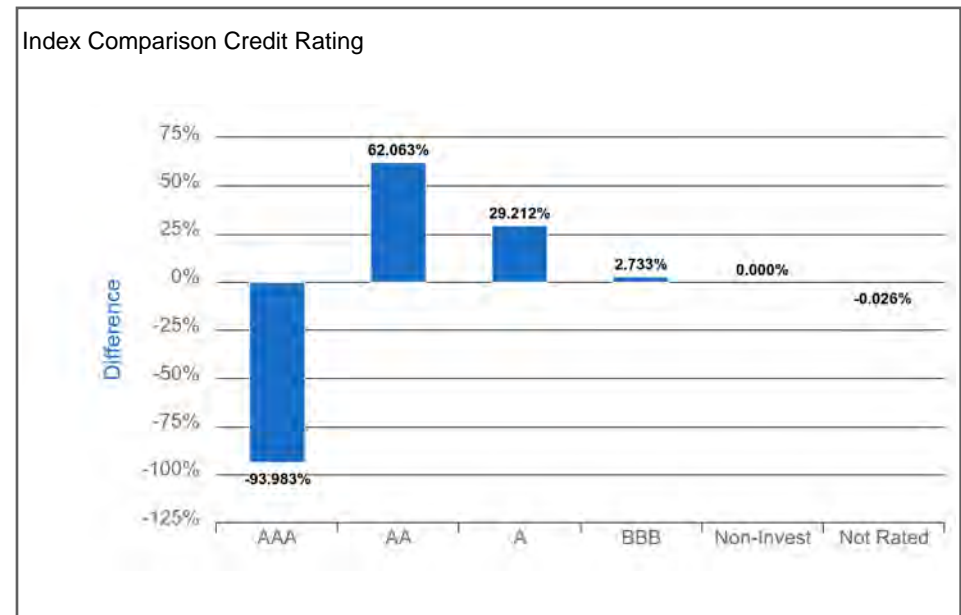
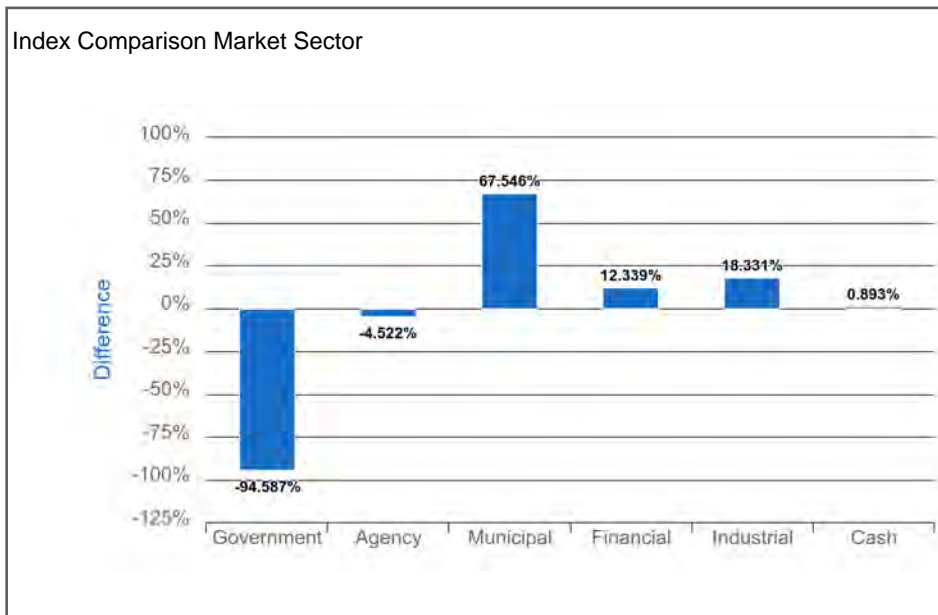
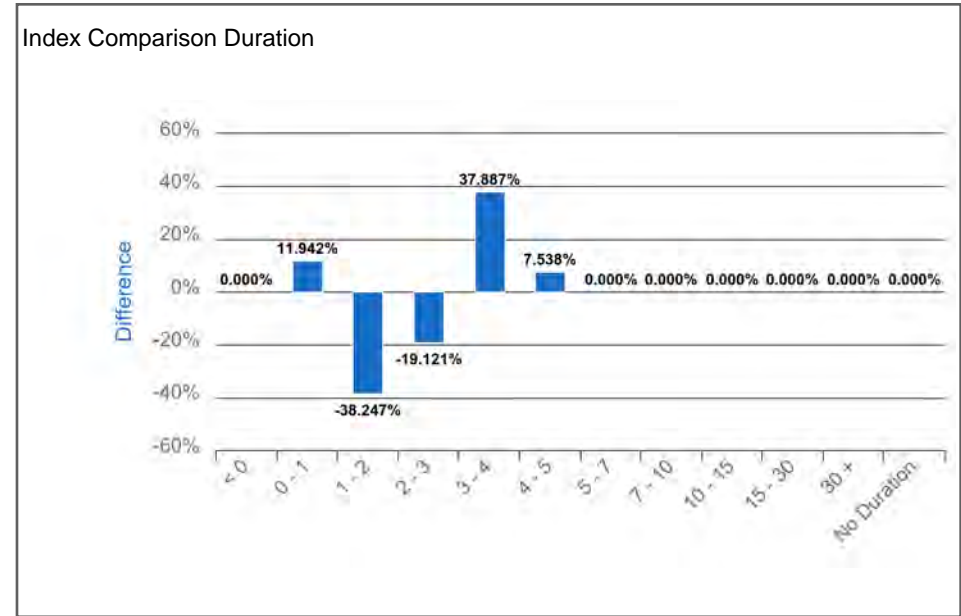
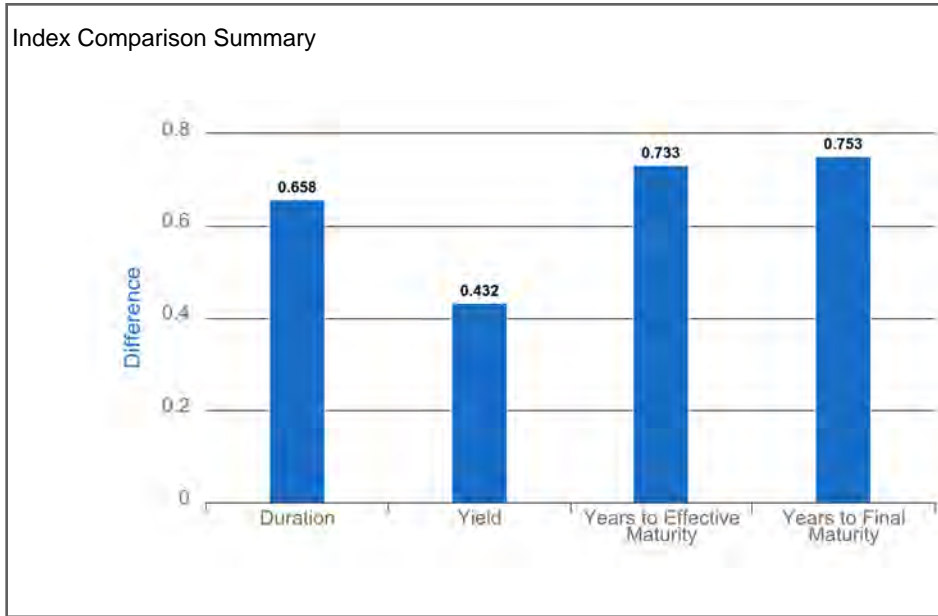
\* Yield at Cost = [Book Yield], Summary Calculation: Weighted Average. \* Coupon = [Coupon]\*1, Summary Calculation: Weighted Average. \* Economic Income (12 mo) = [Amort Cost]\*([Book Yield])/100, Summary Calculation: Sum.

### Index Comparison

09/01/2021 - 09/30/2021

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Dated: 10/13/2021



Source: Clearwater Analytics  
Please refer to 9/30/2021 Clearwater report for additional details. Report was sent under separate cover on 10/22/2021

### Index Comparison

09/01/2021 - 09/30/2021

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#### Index Comparison Summary

Risk Metric	Portfolio	Index	Difference
Duration	2.618	1.960	0.658
Yield	0.725	0.293	0.432
Years to Effective Maturity	2.728	1.995	0.733
Years to Final Maturity	2.748	1.995	0.753
Average Credit Rating	A+	AAA	---

Footnote: 1

#### Index Comparison Duration

Duration	Portfolio	Index	Difference
< 0	0.000%	---	---
0 - 1	16.161%	4.219%	11.942%
1 - 2	15.558%	53.805%	-38.247%
2 - 3	22.855%	41.976%	-19.121%
3 - 4	37.887%	0.000%	37.887%
4 - 5	7.538%	0.000%	7.538%
5 - 7	0.000%	0.000%	0.000%
7 - 10	0.000%	0.000%	0.000%
10 - 15	0.000%	0.000%	0.000%
15 - 30	0.000%	0.000%	0.000%
30 +	0.000%	---	---
No Duration	0.000%	---	---

Footnote: 3

#### Index Comparison Market Sector

Market Sector	Portfolio	Index	Difference
Government	0.891%	95.478%	-94.587%
Agency	0.000%	4.522%	-4.522%
Municipal	67.546%	0.000%	67.546%
Financial	12.339%	0.000%	12.339%
Industrial	18.331%	0.000%	18.331%
Cash	0.893%	0.000%	0.893%

Footnote: 2

#### Index Comparison Credit Rating

Credit Rating	Portfolio	Index	Difference
AAA	4.818%	98.801%	-93.983%
AA	63.236%	1.172%	62.063%
A	29.212%	0.000%	29.212%
BBB	2.733%	0.000%	2.733%
Non-Invest	0.000%	0.000%	0.000%
Not Rated	0.000%	0.026%	-0.026%

Footnote: 4

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# General Account Executive Summary

## Account Summary (1)

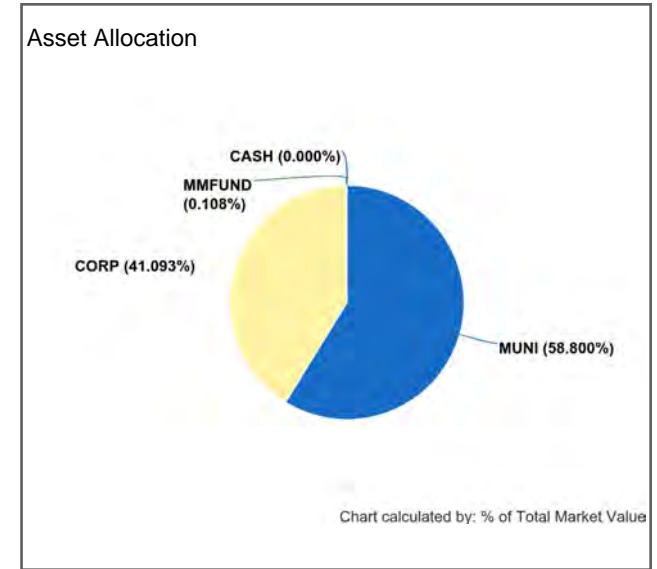
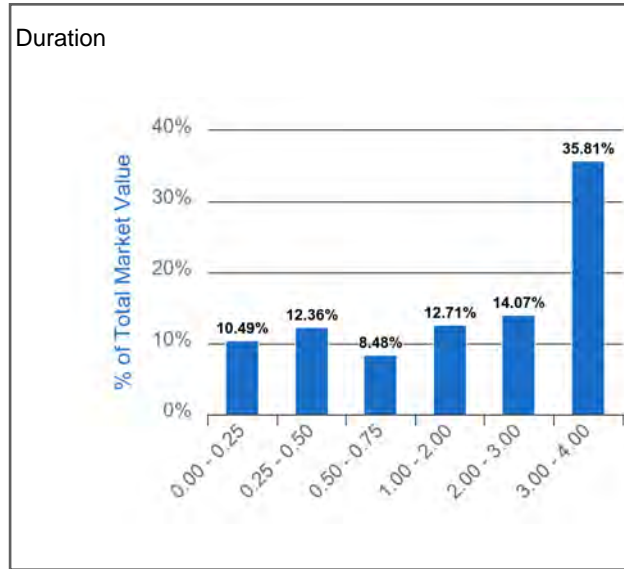
09/01/2021 - 09/30/2021

SVMHS General Account (55687)

Dated: 10/13/2021

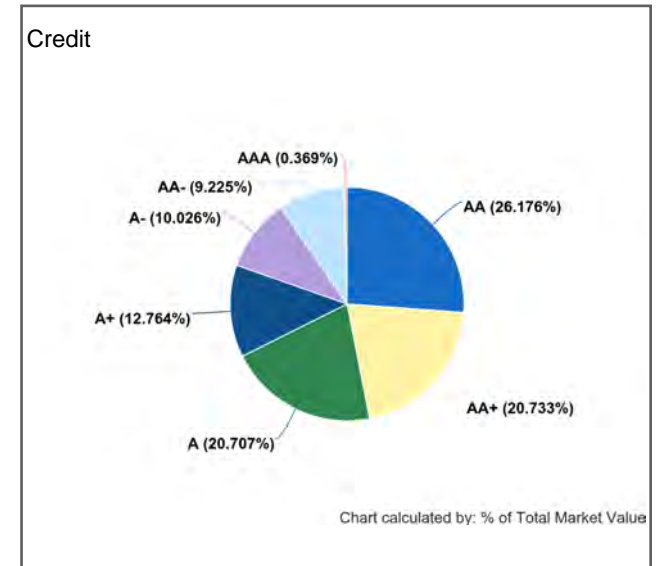
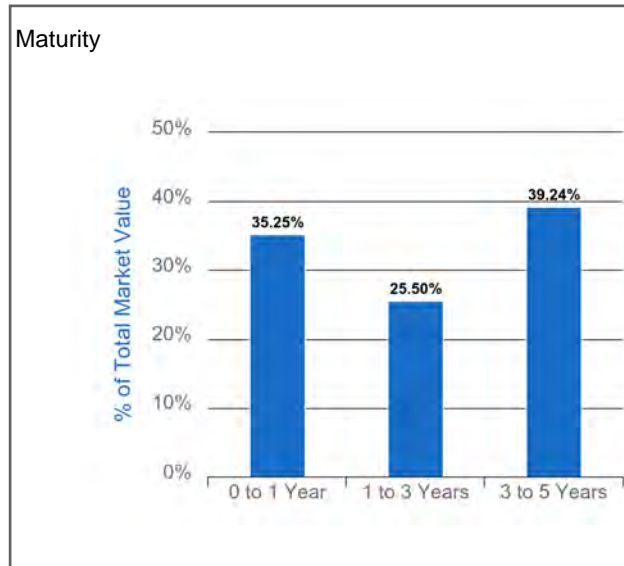
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Portfolio Valuation Summary	
	<i>Portfolio</i>
Total Market Value	84,375,478
Market Value	83,856,270
Accrued Interest	519,208
Yield at Cost	1.61
Market Yield	0.62
Modified Duration	2.06
Coupon	2.67
Unrealized G/L	537,707
Economic Income (12 mo)	1,344,355
Moody's Rating	A1
S&P Rating	A+
Years to Final Maturity	2.18
Years to Effective Maturity	2.14
Eff Maturity	11/22/2023
Footnotes: 1,2,3	



### Performance

Period	Total Return	Income Return	Price Return	Period Begin	Period End
Year to Date	0.067%	1.312%	-1.245%	01/01/2021	09/30/2021
Trailing Month	-0.171%	0.161%	-0.332%	09/01/2021	09/30/2021
Trailing Quarter	0.096%	0.432%	-0.336%	07/01/2021	09/30/2021
Prior Month	0.041%	0.132%	-0.091%	08/01/2021	08/31/2021
Prior Quarter	0.367%	0.425%	-0.057%	04/01/2021	06/30/2021
Prior Year	3.364%	2.126%	1.238%	01/01/2020	12/31/2020
Since Inception	10.510%	---	---	08/10/2016	09/30/2021



Source: Clearwater Analytics

Please refer to 9/30/2021 Clearwater report for additional details. Report was sent under separate cover on 10/22/2021

## Account Summary (3)

SVMHS General Account (55687)

Base Currency: USD As of 09/30/2021

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Dated: 10/13/2021

Security Type	Total Market Value	Market Value	Accrued Interest	% of Portfolio	Yield at Cost	Market Yield	Modified Duration	Coupon	Unrealized G/L	Economic Income (12 mo)	Moody's Rating	S&P Rating	Years to Final Maturity	Eff Maturity
CASH	34	34	0	0.00%	0.00	0.00	---	0.00	0	0	Aaa	AAA	0.00	09/30/2021
CORP	34,672,163	34,467,581	204,582	41.09%	1.77	0.59	1.81	2.62	176,464	606,301	A2	A	1.95	08/20/2023
MMFUND	90,897	90,897	0	0.11%	0.01	0.01	---	0.01	0	9	Aaa	NA	0.00	09/30/2021
MUNI	49,612,384	49,297,758	314,626	58.80%	1.51	0.63	2.24	2.70	361,243	738,045	Aa2	AA	2.35	01/28/2024
---	<b>84,375,478</b>	<b>83,856,270</b>	<b>519,208</b>	<b>100.00%</b>	<b>1.61</b>	<b>0.62</b>	<b>2.06</b>	<b>2.67</b>	<b>537,707</b>	<b>1,344,355</b>	<b>A1</b>	<b>A+</b>	<b>2.18</b>	<b>11/22/2023</b>

\* Grouped by: Security Type. \* Groups Sorted by: Security Type. \* Weighted by: Base Book Value + Accrued. \* Holdings Displayed by: Position.

\* Yield at Cost = [Book Yield], Summary Calculation: Weighted Average. \* Coupon = [Coupon]\*1, Summary Calculation: Weighted Average. \* Economic Income (12 mo) = [Amort Cost]\*([Book Yield])/100, Summary Calculation: Sum.



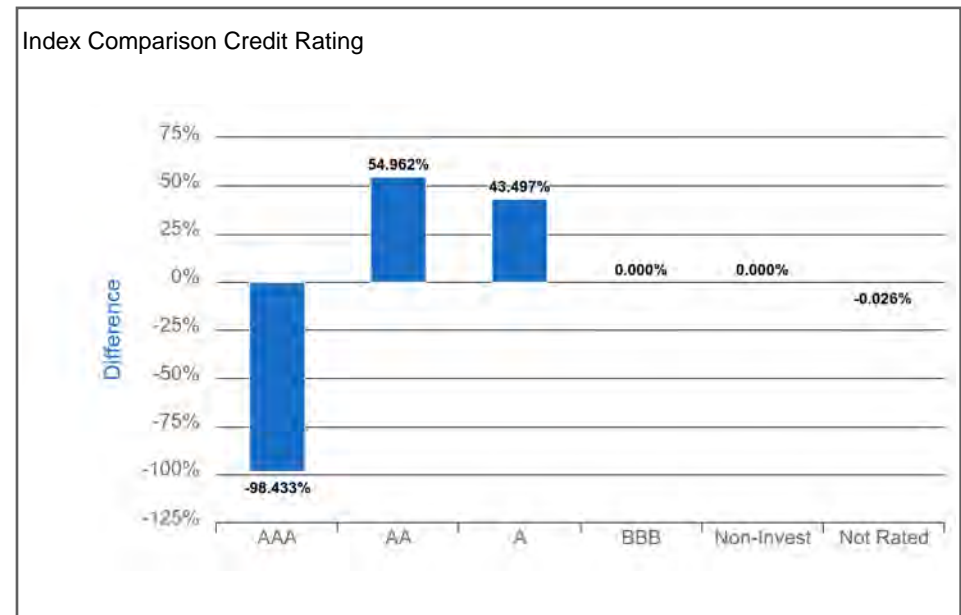
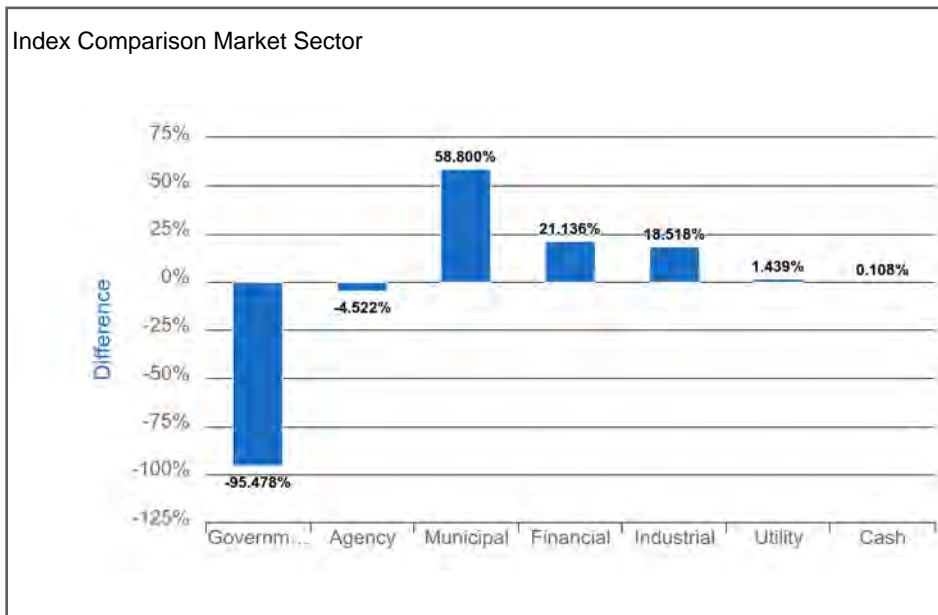
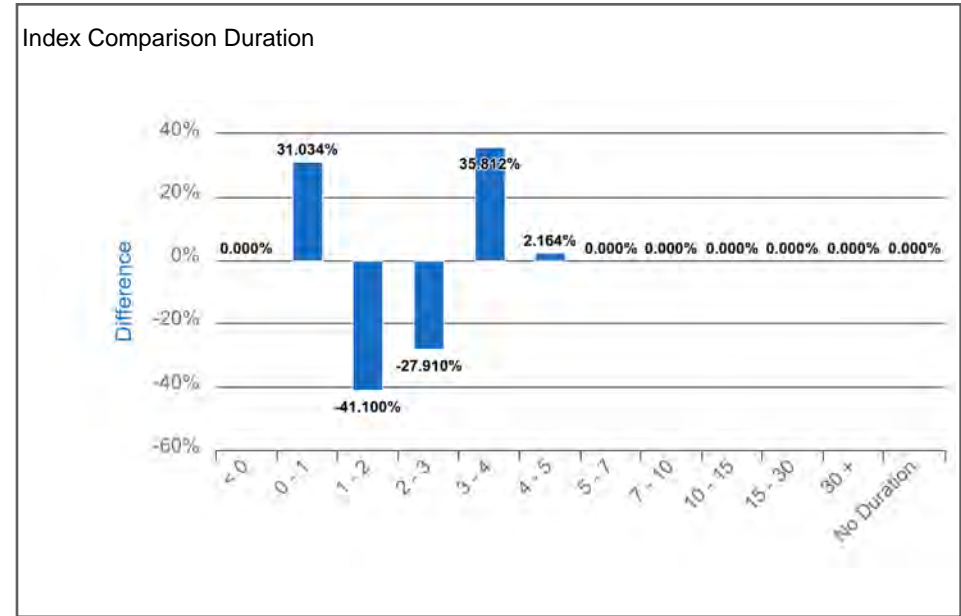
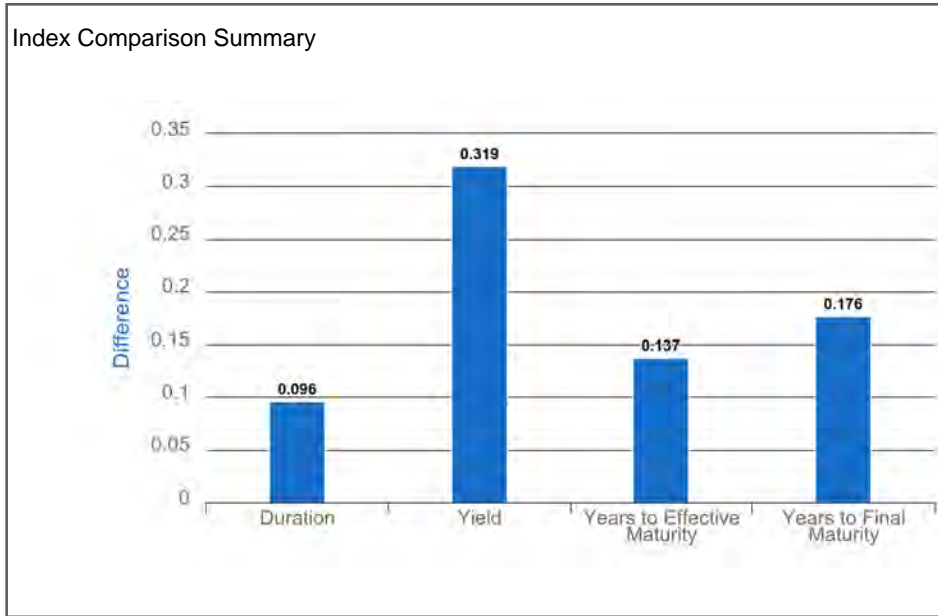
## Index Comparison

SVMHS General Account (55687)

09/01/2021 - 09/30/2021

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Dated: 10/13/2021



Source: Clearwater Analytics

Please refer to 9/30/2021 Clearwater report for additional details. Report was sent under separate cover on 10/22/2021

### Index Comparison

09/01/2021 - 09/30/2021

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Dated: 10/13/2021

#### Index Comparison Summary

Risk Metric	Portfolio	Index	Difference
Duration	2.056	1.960	0.096
Yield	0.612	0.293	0.319
Years to Effective Maturity	2.133	1.995	0.137
Years to Final Maturity	2.172	1.995	0.176
Average Credit Rating	A+	AAA	---

Footnote: 1

#### Index Comparison Duration

Duration	Portfolio	Index	Difference
< 0	0.000%	---	---
0 - 1	35.253%	4.219%	31.034%
1 - 2	12.705%	53.805%	-41.100%
2 - 3	14.066%	41.976%	-27.910%
3 - 4	35.812%	0.000%	35.812%
4 - 5	2.164%	0.000%	2.164%
5 - 7	0.000%	0.000%	0.000%
7 - 10	0.000%	0.000%	0.000%
10 - 15	0.000%	0.000%	0.000%
15 - 30	0.000%	0.000%	0.000%
30 +	0.000%	---	---
No Duration	0.000%	---	---

Footnote: 3

#### Index Comparison Market Sector

Market Sector	Portfolio	Index	Difference
Government	0.000%	95.478%	-95.478%
Agency	0.000%	4.522%	-4.522%
Municipal	58.800%	0.000%	58.800%
Financial	21.136%	0.000%	21.136%
Industrial	18.518%	0.000%	18.518%
Utility	1.439%	0.000%	1.439%
Cash	0.108%	0.000%	0.108%

Footnote: 2

#### Index Comparison Credit Rating

Credit Rating	Portfolio	Index	Difference
AAA	0.369%	98.801%	-98.433%
AA	56.134%	1.172%	54.962%
A	43.497%	0.000%	43.497%
BBB	0.000%	0.000%	0.000%
Non-Invest	0.000%	0.000%	0.000%
Not Rated	0.000%	0.026%	-0.026%

Footnote: 4

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# Cash Reserve Executive Summary

## Account Summary (1)

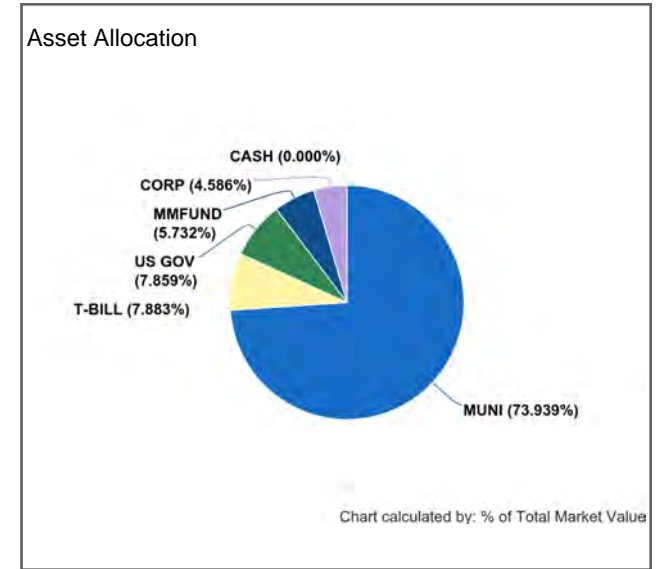
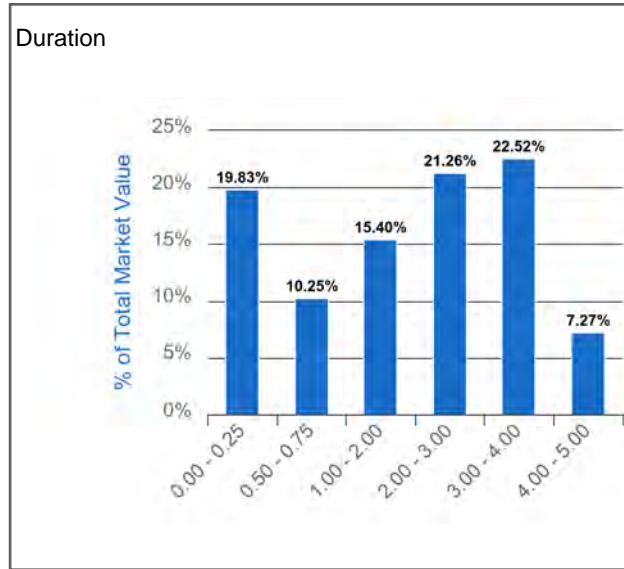
09/01/2021 - 09/30/2021

SVMHS Cash Reserve (55688)

Dated: 10/13/2021

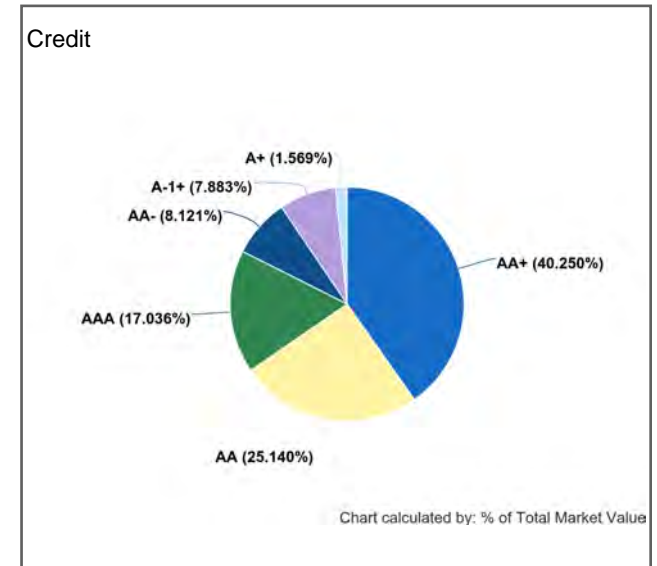
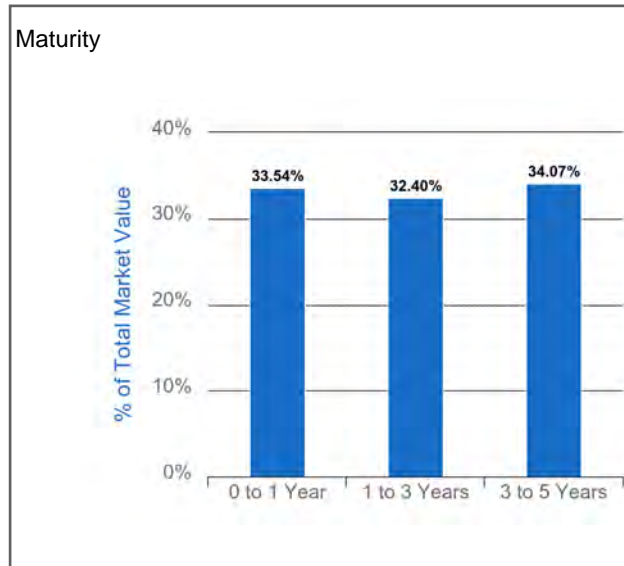
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Portfolio Valuation Summary	
	<i>Portfolio</i>
Total Market Value	63,421,224
Market Value	63,144,122
Accrued Interest	277,102
Yield at Cost	0.53
Market Yield	0.49
Modified Duration	2.17
Coupon	1.69
Unrealized G/L	-54,713
Economic Income (12 mo)	334,935
Moody's Rating	Aa1
S&P Rating	AA+
Years to Final Maturity	2.12
Years to Effective Maturity	2.12
Eff Maturity	11/12/2023
Footnotes: 1,2,3	



### Performance

Period	Total Return	Income Return	Price Return	Period Begin	Period End
Year to Date	0.050%	0.379%	-0.329%	01/01/2021	09/30/2021
Trailing Month	-0.179%	0.039%	-0.218%	09/01/2021	09/30/2021
Trailing Quarter	0.089%	0.108%	-0.019%	07/01/2021	09/30/2021
Prior Month	0.116%	0.033%	0.084%	08/01/2021	08/31/2021
Prior Quarter	0.204%	0.129%	0.074%	04/01/2021	06/30/2021
Prior Year	1.577%	1.183%	0.394%	01/01/2020	12/31/2020
Since Inception	5.730%	---	---	02/16/2018	09/30/2021



## Account Summary (3)

SVMHS Cash Reserve (55688)

Base Currency: USD As of 09/30/2021

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Dated: 10/13/2021

Security Type	Total Market Value	Market Value	Accrued Interest	% of Portfolio	Yield at Cost	Market Yield	Modified Duration	Coupon	Unrealized G/L	Economic Income (12 mo)	Moody's Rating	S&P Rating	Years to Final Maturity	Eff Maturity
CASH	60	60	0	0.00%	0.00	0.00	---	0.00	0	0	Aaa	AAA	0.00	09/30/2021
CORP	2,908,792	2,907,076	1,716	4.59%	0.31	0.29	1.85	0.43	719	8,946	Aa2	AA-	1.86	08/11/2023
MMFUND	3,634,990	3,634,990	0	5.73%	0.01	0.01	---	0.01	0	363	Aaa	NA	0.00	09/30/2021
MUNI	46,893,188	46,620,196	272,992	73.94%	0.65	0.59	2.34	2.22	-42,021	302,757	Aa1	AA+	2.43	03/06/2024
T-BILL	4,999,750	4,999,750	0	7.88%	0.05	0.06	0.09	0.00	-28	2,537	P-1	A-1+	0.09	11/02/2021
US GOV	4,984,445	4,982,050	2,395	7.86%	0.41	0.50	2.85	0.38	-13,383	20,332	Aaa	AA+	2.88	08/15/2024
---	<b>63,421,224</b>	<b>63,144,122</b>	<b>277,102</b>	<b>100.00%</b>	<b>0.53</b>	<b>0.49</b>	<b>2.17</b>	<b>1.69</b>	<b>-54,713</b>	<b>334,935</b>	<b>Aa1</b>	<b>AA+</b>	<b>2.12</b>	<b>11/12/2023</b>

\* Grouped by: Security Type. \* Groups Sorted by: Security Type. \* Weighted by: Base Book Value + Accrued. \* Holdings Displayed by: Position.

\* Yield at Cost = [Book Yield], Summary Calculation: Weighted Average. \* Coupon = [Coupon]\*1, Summary Calculation: Weighted Average. \* Economic Income (12 mo) = [Amort Cost]\*([Book Yield])/100, Summary Calculation: Sum.

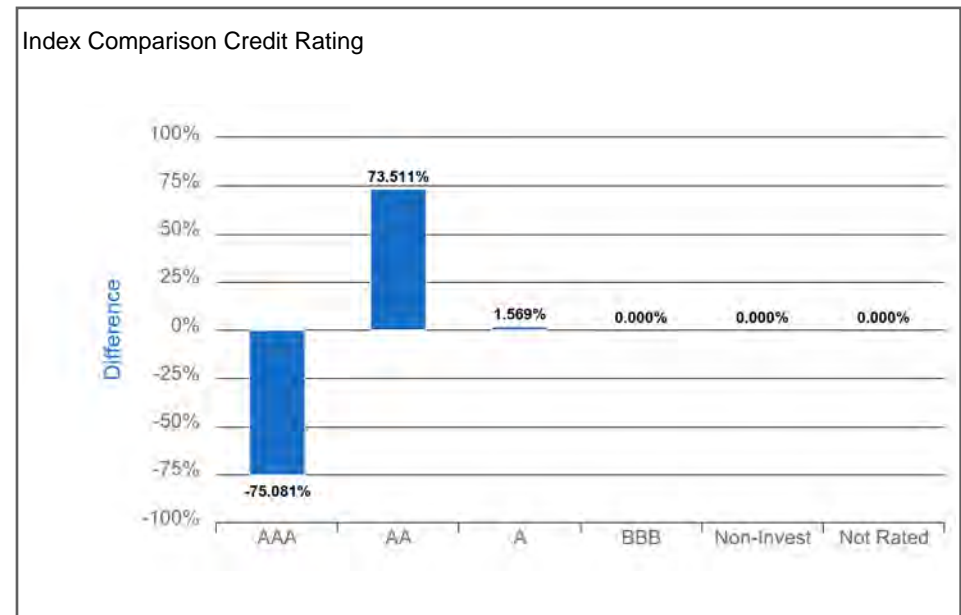
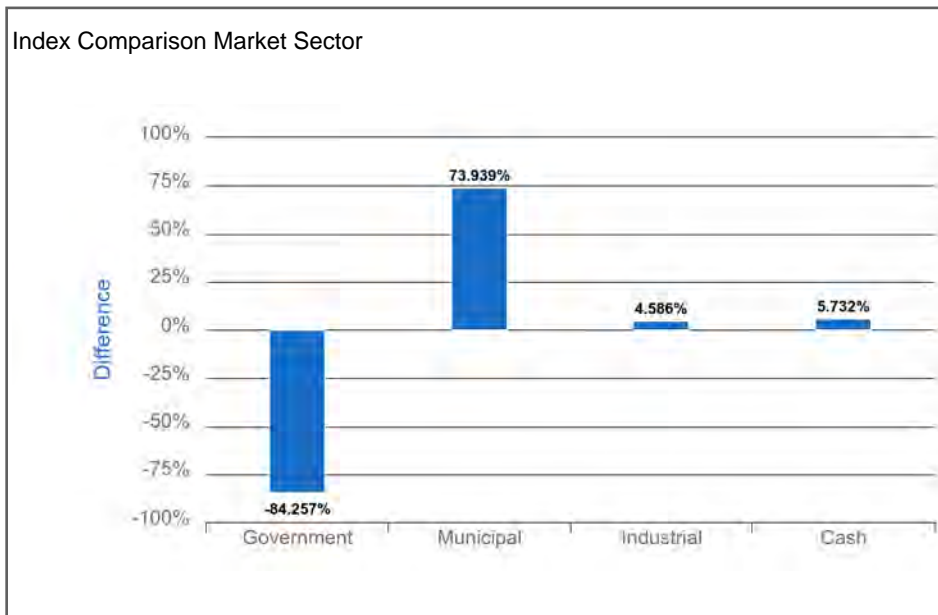
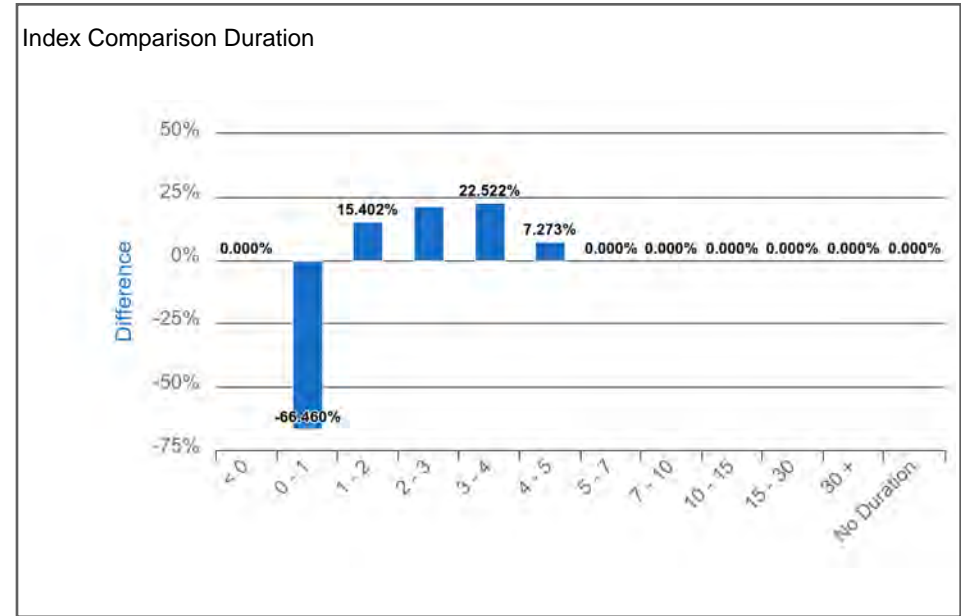
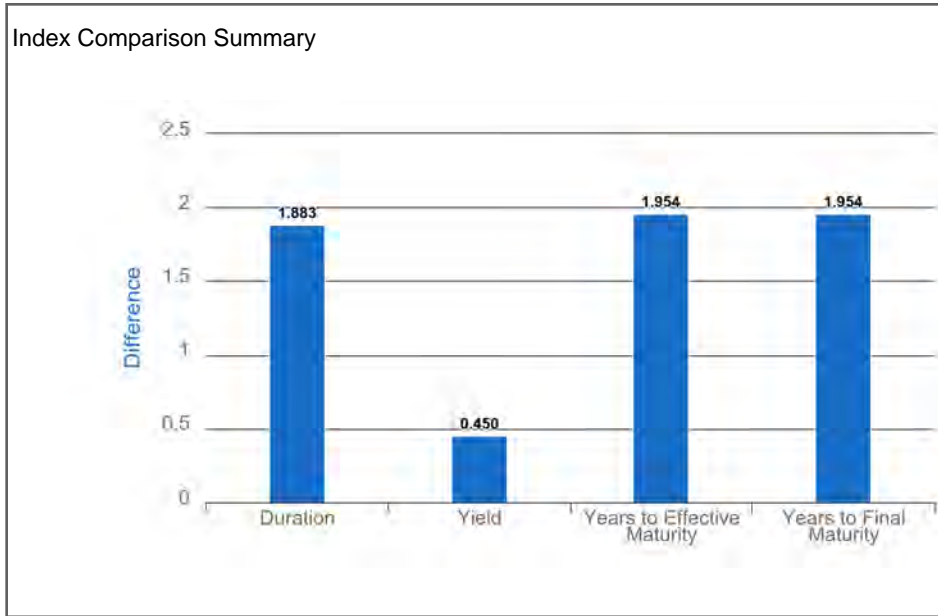
## Index Comparison

09/01/2021 - 09/30/2021

SVMHS Cash Reserve (55688)

Dated: 10/13/2021

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Source: Clearwater Analytics

Please refer to 9/30/2021 Clearwater report for additional details. Report was sent under separate cover on 10/22/2021

## Index Comparison

09/01/2021 - 09/30/2021

SVMHS Cash Reserve (55688)

Dated: 10/13/2021

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### Index Comparison Summary

Risk Metric	Portfolio	Index	Difference
Duration	2.043	0.160	1.883
Yield	0.490	0.040	0.450
Years to Effective Maturity	2.113	0.159	1.954
Years to Final Maturity	2.113	0.159	1.954
Average Credit Rating	AA+	AAA	---

Footnote: 1

### Index Comparison Duration

Duration	Portfolio	Index	Difference
< 0	0.000%	---	---
0 - 1	33.540%	100.000%	-66.460%
1 - 2	15.402%	0.000%	15.402%
2 - 3	21.263%	0.000%	21.263%
3 - 4	22.522%	0.000%	22.522%
4 - 5	7.273%	0.000%	7.273%
5 - 7	0.000%	0.000%	0.000%
7 - 10	0.000%	0.000%	0.000%
10 - 15	0.000%	0.000%	0.000%
15 - 30	0.000%	0.000%	0.000%
30 +	0.000%	---	---
No Duration	0.000%	---	---

Footnote: 3

### Index Comparison Market Sector

Market Sector	Portfolio	Index	Difference
Government	15.743%	100.000%	-84.257%
Municipal	73.939%	0.000%	73.939%
Industrial	4.586%	0.000%	4.586%
Cash	5.732%	0.000%	5.732%

Footnote: 2

### Index Comparison Credit Rating

Credit Rating	Portfolio	Index	Difference
AAA	24.919%	100.000%	-75.081%
AA	73.511%	0.000%	73.511%
A	1.569%	0.000%	1.569%
BBB	0.000%	0.000%	0.000%
Non-Invest	0.000%	0.000%	0.000%
Not Rated	0.000%	0.000%	0.000%

Footnote: 4

SECTION 4

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# Disclosures



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The proprietary **Value Score** methodology considers an active investment strategies' value proposition relative to its costs. From a historical quantitative study of several quantitative markers, Value Score measures perceived forward-looking benefit and computes (1) "fair value" expense ratios for most traditional investment managers across 40 categories and (2) managers' perceived "excess value" by comparing the fair value expense ratios to actual expense ratios. Managers are then ranked within each category by their excess value to assign a Value Score. Our analysis suggests that greater levels of excess value have historically corresponded to attractive subsequent performance.

For more information on the ranking models, please see Adverse Active AlphaSM 2.0: Scoring Active Managers According to Potential Alpha and Value Score: Scoring Fee Efficiency by Comparing Managers' "Fair Value" and Actual Expense Ratios. The whitepapers are available from your Financial Advisor or Private Wealth Advisor. ADVERSE ACTIVE ALPHA is a registered service mark of Morgan Stanley and/or its affiliates. U.S. Pat. No. 8,756,098 applies to the Adverse Active Alpha system and/or methodology.

Additionally, highly ranked managers can have differing risk profiles that might not be appropriate for all investors. For more information on AAA, please see the Adverse Active Alpha Ranking Model and Selecting Managers with Adverse Active Alpha whitepapers. The whitepaper are available from your Financial Advisor or Private Wealth Advisor. ADVERSE ACTIVE ALPHA is a registered service mark of Morgan Stanley and/or its affiliates. U.S. Pat. No. 8,756,098 applies to the Adverse Active Alpha system and/or methodology.

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Morgan Stanley charges each fund family we offer a mutual fund support fee, also called a “revenue-sharing payment,” on client account holdings in fund families according to a tiered rate that increases along with the management fee of the fund so that lower management fee funds pay lower rates than those with higher management fees.

**Consider Your Own Investment Needs:** The model portfolios and strategies discussed in the material are formulated based on general client characteristics including risk tolerance. This material is not intended to be an analysis of whether particular investments or strategies are appropriate for you or a recommendation, or an offer to participate in any investment. Therefore, clients should not use this material as the sole basis for investment decisions. They should consider all relevant information, including their existing portfolio, investment objectives, risk tolerance, liquidity needs and investment time horizon. Such a determination may lead to asset allocation results that are materially different from the asset allocation shown in this profile. Talk to your Financial Advisor about what would be an appropriate asset allocation for you, whether CGCM is an appropriate program for you.

**No obligation to notify** – Morgan Stanley Wealth Management has no obligation to notify you when the model portfolios, strategies, or any other information, in this material changes.

**Please consider the investment objectives, risks, fees, and charges and expenses of mutual funds, ETFs, closed end funds, unit investment trusts, and variable insurance products carefully before investing. The prospectus contains this and other information about each fund. To obtain a prospectus, contact your Financial Advisor or Private Wealth Advisor or visit the Morgan Stanley website at [www.morganstanley.com](http://www.morganstanley.com). Please read it carefully before investing.**

**An investment in a money market fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the Fund seeks to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in the fund.**

The type of mutual funds and ETFs discussed in this presentation utilizes nontraditional or complex investment strategies and/or derivatives. Examples of these types of funds include those that utilize one or more of the below noted investment strategies or categories or which seek exposure to the following markets: (1) commodities (e.g., agricultural, energy and metals), currency, precious metals; (2) managed futures; (3) leveraged, inverse or inverse leveraged; (4) bear market, hedging, long-short equity, market neutral; (5) real estate; (6) volatility (seeking exposure to the CBOE VIX Index). Investors should keep in mind that while mutual funds and ETFs may, at times, utilize nontraditional investment options and strategies, they should not be equated with unregistered privately offered alternative investments. Because of regulatory limitations, mutual funds and ETFs that seek alternative-like investment exposure must utilize a more limited investment universe. As a result, investment returns and portfolio characteristics of alternative mutual funds and ETFs may vary from traditional hedge funds pursuing similar investment objectives. Moreover, traditional hedge funds have limited liquidity with long “lock-up” periods allowing them to pursue investment strategies without having to factor in the need to meet client redemptions and ETFs trade on an exchange. On the other hand, mutual funds typically must meet daily client redemptions. This differing liquidity profile can have a material impact on the investment returns generated by a mutual fund or ETF pursuing an alternative investing strategy compared with a traditional hedge fund pursuing the same strategy.

Nontraditional investment options and strategies are often employed by a portfolio manager to further a fund’s investment objective and to help offset market risks. However, these features may be complex, making it more difficult to understand the fund’s essential characteristics and risks, and how it will perform in different market environments and over various periods of time. They may also expose the fund to increased volatility and unanticipated risks particularly when used in complex combinations and/or accompanied by the use of borrowing or “leverage.”

The Morgan Stanley Digital Vault (“Digital Vault”) is accessible to clients with dedicated Financial Advisors. Documents shared via the Digital Vault should be limited to those relevant to your Morgan Stanley account relationship. Uploading a document to the Digital Vault does not obligate us to review or take any action on it, and we will not be liable for any failure to act upon the contents of such document. Please contact your Financial Advisor or Branch Management to discuss the appropriate process for providing the document to us for review. If you maintain a Trust or entity account with us, only our certification form will govern our obligations for such account. Please refer to the Morgan Stanley Digital Vault terms and conditions for more information.

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### KEY ASSET CLASS CONSIDERATIONS AND OTHER RISKS

Investing in the markets entails the risk of market volatility. The value of all types of investments, including stocks, mutual funds, exchange-traded funds ("ETFs"), closed-end funds, and unit investment trusts, may increase or decrease over varying time periods. To the extent the investments depicted herein represent **international securities**, you should be aware that there may be additional risks associated with international investing, including foreign economic, political, monetary and/or legal factors, changing currency exchange rates, foreign taxes, and differences in financial and accounting standards. These risks may be magnified in **emerging markets and frontier markets**. **Small- and mid-capitalization companies** may lack the financial resources, product diversification and competitive strengths of larger companies. In addition, the securities of small- and mid-capitalization companies may not trade as readily as, and be subject to higher volatility than, those of larger, more established companies. The value of **fixed income securities** will fluctuate and, upon a sale, may be worth more or less than their original cost or maturity value. Bonds are subject to interest rate risk, call risk, reinvestment risk, liquidity risk, and credit risk of the issuer. **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. In the case of **municipal bonds**, income is generally exempt from federal income taxes. Some income may be subject to state and local taxes and to the federal alternative minimum tax. Capital gains, if any, are subject to tax. **Treasury Inflation Protection Securities' (TIPS)** coupon payments and underlying principal are automatically increased to compensate for inflation by tracking the consumer price index (CPI). While the real rate of return is guaranteed, TIPS tend to offer a low return. Because the return of TIPS is linked to inflation, TIPS may significantly underperform versus conventional U.S. Treasuries in times of low inflation. There is no guarantee that investors will receive par if TIPS are sold prior to maturity. The returns on a portfolio consisting primarily of **environmental, social, and governance-aware investments ("ESG")** may be lower or higher than a portfolio that is more diversified or where decisions are based solely on investment considerations. Because ESG criteria exclude some investments, investors may not be able to take advantage of the same opportunities or market trends as investors that do not use such criteria. The companies identified and investment examples are for illustrative purposes only and should not be deemed a recommendation to purchase, hold or sell any securities or investment products. They are intended to demonstrate the approaches taken by managers who focus on ESG criteria in their investment strategy. There can be no guarantee that a client's account will be managed as described herein. **Options** and margin trading involve substantial risk and are not appropriate for all investors. Besides the general investment risk of holding securities that may decline in value and the possible loss of principal invested, **closed-end funds** may have additional risks related to declining market prices relative to net asset values (NAVs), active manager underperformance and potential leverage. Closed-end funds, unlike open-end funds, are not continuously offered. There is a one-time public offering and once issued, shares of closed-end funds are sold in the open market through a stock exchange. Shares of closed-end funds frequently trade at a discount from their NAV which may increase investors' risk of loss. The risk of loss due to this discount may be greater for investors expecting to sell their shares in a relatively short period after completion of the public offering. This characteristic is a risk separate and distinct from the risk that a closed-end fund's net asset value may decrease as a result of investment activities. NAV is total assets less total liabilities divided by the number of shares outstanding. At the time an investor purchases or sells shares of a closed-end fund, shares may have a market price that is above or below NAV. 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.

**Alternative investments** often are speculative and include a high degree of risk. Investors could lose all or a substantial amount of their investment. Alternative investments are appropriate only for eligible, long-term investors who are willing to forgo liquidity and put capital at risk for an indefinite period of time. They may be highly illiquid and can engage in leverage and other speculative practices that may increase the volatility and risk of loss. Alternative Investments typically have higher fees than traditional investments. Investors should carefully review and consider potential risks before investing. Certain of these risks may include but are not limited to: Loss of all or a substantial portion of the investment due to leveraging, short-selling, or other speculative practices; Lack of liquidity in that there may be no secondary market for a fund; Volatility of returns; Restrictions on transferring interests in a fund; Potential lack of diversification and resulting higher risk due to

concentration of trading authority when a single advisor is utilized; Absence of information regarding valuations and pricing; Complex tax structures and delays in tax reporting; Less regulation and higher fees than mutual funds; Risks associated with the operations, personnel, and processes of the manager; and Risks associated with cybersecurity. As a diversified global financial services firm, Morgan Stanley Wealth Management engages in a broad spectrum of activities including financial advisory services, investment management activities, sponsoring and managing private investment funds, engaging in broker-dealer transactions and principal securities, commodities and foreign exchange transactions, research publication, and other activities. In the ordinary course of its business, Morgan Stanley Wealth Management therefore engages in activities where Morgan Stanley Wealth Management's interests may conflict with the interests of its clients, including the private investment funds it manages. Morgan Stanley Wealth Management can give no assurance that conflicts of interest will be resolved in favor of its clients or any such fund. All expressions of opinion are subject to change without notice and are not intended to be a forecast of future events or results. Further, opinions expressed herein may differ from the opinions expressed by Morgan Stanley Wealth Management and/or other businesses/affiliates of Morgan Stanley Wealth Management. This is not a "research report" as defined by FINRA Rule 2241 or a "debt research report" as defined by FINRA Rule 2242 and was not prepared by the Research Departments of Morgan Stanley Smith Barney LLC or Morgan Stanley & Co. LLC or its affiliates. Certain information contained herein may constitute forward-looking statements. Due to various risks and uncertainties, actual events, results or the performance of a fund may differ materially from those reflected or contemplated in such forward-looking statements. Clients should carefully consider the investment objectives, risks, charges, and expenses of a fund before investing. While the HFRI indices are frequently used, they have limitations (some of which are typical of other widely used indices). These limitations include survivorship bias (the returns of the indices may not be representative of all the hedge funds in the universe because of the tendency of lower performing funds to leave the index); heterogeneity (not all hedge funds are alike or comparable to one another, and the index may not accurately reflect the performance of a described style); and limited data (many hedge funds do not report to indices, and the index may omit funds, the inclusion of which might significantly affect the performance shown). The HFRI indices are based on information self-reported by hedge fund managers that decide on their own, at any time, whether or not they want to provide, or continue to provide, information to HFR Asset Management, L.L.C. Results for funds that go out of business are included in the index until the date that they cease operations. Therefore, these indices may not be complete or accurate representations of the hedge fund universe, and may be biased in several ways. Composite index results are shown for illustrative purposes and do not represent the performance of a specific investment. Individual funds have specific tax risks related to their investment programs that will vary from fund to fund. Clients should consult their own tax and legal advisors as Morgan Stanley Wealth Management does not provide tax or legal advice. Interests in alternative investment products are offered pursuant to the terms of the applicable offering memorandum, are distributed by Morgan Stanley Wealth Management and certain of its affiliates, and (1) are not FDIC-insured, (2) are not deposits or other obligations of Morgan Stanley Wealth Management or any of its affiliates, (3) are not guaranteed by Morgan Stanley Wealth Management and its affiliates, and (4) involve investment risks, including possible loss of principal. Morgan Stanley Wealth Management is a registered broker-dealer, not a bank. 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Investment products in this category may employ 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 investments are not appropriate for all investors. As a diversified global financial services firm, Morgan Stanley Wealth Management engages in a broad spectrum of activities including financial advisory services, investment management activities, sponsoring and managing private investment funds, engaging in broker-dealer transactions and principal securities, commodities and foreign exchange transactions, research publication, and other activities. In the ordinary course of its business, Morgan Stanley Wealth Management therefore engages in activities where Morgan Stanley Wealth Management's interests may conflict with the interests of its clients, including the private investment funds it manages. Morgan Stanley Wealth Management can give no assurance that conflicts of interest will be resolved in favor of its clients or any such fund. Alternative investments involve complex tax structures, tax inefficient investing, and delays in distributing important tax information. Individual funds have specific risks related to their investment programs that will vary from fund to fund.

Clients should consult their own tax and legal advisors as Morgan Stanley Wealth Management does not provide tax or legal advice.

A majority of Alternative Investment managers reviewed and selected by GIMA pay or cause to be paid an ongoing fee for distribution from their management fees to Morgan Stanley Wealth Management in connection with Morgan Stanley Wealth Management clients that purchase an interest in an Alternative Investment and in some instances pay these fees on the investments held by investments held by brokerage clients. Morgan Stanley Wealth Management has a conflict of interest in offering alternative investments because Morgan Stanley Wealth Management or our affiliates, in most instances, earn more money in your account from your investments in alternative investments than from other investment options.

It should be noted that the majority of hedge fund indexes are comprised of hedge fund manager returns. This is in contrast to traditional indexes, which are comprised of individual securities in the various market segments they represent and offer complete transparency as to membership and construction methodology. As such, some believe that hedge fund index returns have certain biases that are not present in traditional indexes. Some of these biases inflated index performance, while others may skew performance negatively. However, many studies indicate that overall hedge fund index performance has been biased to the upside. Some studies suggest performance has been inflated by up to 260 basis points or more annually depending on the types of biases included and the time period studied. Although there are numerous potential biases that could affect hedge fund returns, we identify some of the more common ones throughout this paper.

Self-selection bias results when certain manager returns are not included in the index returns and may result in performance being skewed up or down. Because hedge funds are private placements, hedge fund managers are able to decide which fund returns they want to report and are able to opt out of reporting to the various databases. Certain hedge fund managers may choose only to report returns for funds with strong returns and opt out of reporting returns for weak performers. Other hedge funds that close may decide to stop reporting in order to retain secrecy, which may cause a downward bias in returns.

Survivorship bias results when certain constituents are removed from an index. This often results from the closure of funds due to poor performance, “blow ups,” or other such events. As such, this bias typically results in performance being skewed higher. As noted, hedge fund index performance biases can result in positive or negative skew. However, it would appear that the skew is more often positive. While it is difficult to quantify the effects precisely, investors should be aware that idiosyncratic factors may be giving hedge fund index returns an artificial “lift” or upwards bias.

**Hedge Funds of Funds** and many funds of funds are private investment vehicles restricted to certain qualified private and institutional investors. They are often speculative and include a high degree of risk. Investors can lose all or a substantial amount of their investment. They may be highly illiquid, can engage in leverage and other speculative practices that may increase volatility and the risk of loss, and may be subject to large investment minimums and initial lockups. They involve complex tax structures, tax-inefficient investing and delays in distributing important tax information. Categorically, hedge funds and funds of funds have higher fees and expenses than traditional investments, and such fees and expenses can lower the returns achieved by investors. Funds of funds have an additional layer of fees over and above hedge fund fees that will offset returns. An investment in an **exchange-traded fund** involves risks similar to those of investing in a broadly based portfolio of equity securities traded on an exchange in the relevant securities market, such as market fluctuations caused by such factors as economic and political developments, changes in interest rates and perceived trends in stock and bond prices. An investment in a **target date portfolio** is subject to the risks attendant to the underlying funds in which it invests, in these portfolios the funds are the Consulting Group Capital Market funds. A target date portfolio is geared to investors who will retire and/or require income at an approximate year. The portfolio is managed to meet the investor’s goals by the pre-established year or “target date.” A target date portfolio will transition its invested assets from a more aggressive portfolio to a more conservative portfolio as the target date draws closer. An investment in the target date portfolio is not guaranteed at any time, including, before or after the target date is reached. **Managed futures** investments are speculative, involve a high degree of risk, use significant leverage, are generally illiquid, have substantial charges, subject investors to conflicts of interest, and are appropriate only for the risk capital portion of an investor’s portfolio. Managed futures investments do not replace equities or bonds but rather may act as a complement in a well diversified portfolio. Managed Futures are complex and not appropriate for all investors. **Rebalancing** does not protect against a loss in declining financial markets. There may be a potential tax implication with a rebalancing strategy.

**Buying, selling, and transacting in Bitcoin or other digital assets, and related funds and products, is highly speculative and may result in a loss of the entire investment.** Risks and considerations include but are not limited to:

- Bitcoin and other digital assets have only been in existence for a short period of time and historical trading prices for Bitcoin and other digital assets have been highly volatile. The price of Bitcoin and other digital assets could decline rapidly, and **investors could lose their entire investment**.

- Certain digital asset funds and products, including Bitcoin funds and products, allow investors to invest on a more frequent basis than investors may withdraw from the fund or product, and interests in such funds or products are generally not freely transferrable. This means that, particularly given the volatility of digital assets, including Bitcoin, an investor will have to bear any losses with respect to its investment for an extended period of time and will not be able to react to changes in the price of the digital asset once invested (for example, by seeking to withdraw) as quickly as when making the decision to invest. Such digital asset funds and products, including Bitcoin funds and products, are intended only for persons who are able to bear the economic risk of investment and who do not need liquidity with respect to their investments.

- Given the volatility in the price of Bitcoin and other digital assets, the net asset value of a fund or product that invests in such assets at the time an investor’s subscription for interests in the fund or product is accepted may be significantly below or above the net asset value of the product or fund at the time the investor submitted subscription materials.

- Certain digital assets, apart from Bitcoin, are not intended to function as currencies but are intended to have other use cases. These other digital assets may be subject to some or all of the risks and considerations set forth herein, as well as additional risks applicable to such other digital assets. Buyers, sellers and users of such other digital assets should thoroughly familiarize themselves with such risks and considerations before transacting in such other digital assets.

- The value of Bitcoin and other digital assets may be negatively impacted by future legal and regulatory developments, including but not limited to increased regulation of Bitcoin or such other digital assets. Any such developments may make Bitcoin or such other digital assets less valuable, impose additional burdens and expenses on a fund or product investing in such assets or impact the ability

of such a fund or product to continue to operate, which may materially decrease the value of an investment therein.

- Due to the new and evolving nature of digital currencies and the absence of comprehensive guidance, many significant aspects of the tax treatment of digital assets including Bitcoin are uncertain. Prospective investors should consult their own tax advisors concerning the tax consequences to them of the purchase, ownership and disposition of Bitcoin and other digital assets, directly or indirectly through a fund or product, under U.S. federal income tax law, as well as the tax law of any relevant state, local or other jurisdiction.
- Over the past several years, certain Bitcoin exchanges have experienced failures or interruptions in service due to fraud, security breaches, operational problems or business failure. Such events in the future could impact any fund's or product's ability to transact in Bitcoin if the fund or product relies on an impacted exchange and may also materially decrease the price of Bitcoin, thereby impacting the value of your investment, regardless of whether the fund or product relies on such an impacted exchange.
- Although any digital asset product, including a Bitcoin-related product, and its service providers have in place significant safeguards against loss, theft, destruction and inaccessibility, there is nonetheless a risk that some or all of a product's digital asset, including Bitcoin, could be permanently lost, stolen, destroyed or inaccessible by virtue of, among other things, the loss or theft of the "private keys" necessary to access a product's digital asset, including Bitcoin.
- Investors in funds or products investing or transacting in Bitcoin and/or other digital assets may not benefit to the same extent (or at all) from "airdrops" with respect to, or "forks" in, the Bitcoin (or other relevant digital asset's) blockchain, compared to investors who hold Bitcoin (or such other relevant digital asset) directly instead of through a fund or product. Additionally, a "fork" in the Bitcoin blockchain could materially decrease the price of Bitcoin.
- Digital assets such as Bitcoin or other digital asset product is/are not legal tender, and is not backed by any government, corporation or other identified body, other than with respect to certain digital currencies that certain governments are or may be developing now or in the future (of which Bitcoin is **not** one). No law requires companies or individuals to accept digital currency as a form of payment (except, potentially, with respect to digital currencies developed by certain governments where such acceptance may be mandated). Instead, other than as described in the preceding sentences, Bitcoin's and other digital asset products' use is limited to businesses and individuals that are willing to accept them. If no one were to accept digital currencies, Bitcoin and other virtual currency products would very likely become worthless.
- Platforms that buy and sell Bitcoin or other digital assets can be hacked, and some have failed. In addition, like the platforms themselves, digital wallets can be hacked, and are subject to theft and fraud. As a result, like other investors have, you can lose some or all of your holdings of digital assets, including Bitcoin.
- Unlike US banks and credit unions that provide certain guarantees of safety to depositors, there are no such safeguards provided to digital assets, such as Bitcoin, held in digital wallets by their providers or by regulators.
- Due to the anonymity Bitcoin and other digital assets offer, it has known use in illegal activity, including drug dealing, money laundering, human trafficking, sanction evasion and other forms of illegal commerce. Abuses could impact legitimate consumers and speculators; for instance, law enforcement agencies could shut down or restrict the use of platforms and exchanges, limiting or shutting off entirely the ability to use or trade Bitcoin or other digital asset products.
- Bitcoin and other digital assets may not have an established track record of credibility and trust. Further, any performance data relating to Bitcoin, Bitcoin-related products or other digital asset products may not be verifiable as pricing models are not uniform.
- Investors should be aware of the potentially increased risks of transacting in digital assets, including Bitcoin, relating to the risks and considerations, including fraud, theft, and lack of legitimacy, and other aspects and qualities of digital assets, before transacting in such assets.
- The exchange rate of Bitcoin or other virtual currency products versus the USD historically has been very volatile and the exchange rate could drastically decline. For example, the exchange rate of Bitcoin versus the USD has in the past dropped more than 50% in a single day. Bitcoin may be affected by such volatility as well.
- Digital asset exchanges have limited operating and performance histories and are not regulated with the same controls or customer protections available to more traditional exchanges transacting equity, debt, and other assets and securities. There is no assurance that a person/exchange who currently accepts a digital asset as payment will continue to do so in the future.

- The regulatory framework of digital assets is evolving, and in some cases uncertain, and digital assets themselves may not be governed and protected by applicable securities regulators and securities laws, including, but not limited to, Securities Investor Protection Corporation coverage, or other regulatory regimes.

- Morgan Stanley Smith Barney LLC or its affiliates (collectively, "Morgan Stanley") may currently, or in the future, offer or invest in digital asset products, services or platforms. The proprietary interests of Morgan Stanley may conflict with your interests.

- The foregoing list of considerations and risks are not and do not purport to be a complete enumeration or explanation of the risks involved in an investment in the any product or fund investing or trading in Bitcoin and/or other digital assets.

**Asset allocation and diversification** do not assure a profit or protect against loss in declining financial markets. Past performance is no guarantee of future results. Actual results may vary.

**Tax laws are complex and subject to change.** Morgan Stanley Smith Barney LLC ("Morgan Stanley"), its affiliates and Morgan Stanley Financial Advisors and Private Wealth Advisors do not provide tax or legal advice and are not "fiduciaries" (under ERISA, the Internal Revenue Code or otherwise) with respect to the services or activities described herein except as otherwise provided in writing by Morgan Stanley and/or as described at [www.morganstanley.com/disclosures/dol](http://www.morganstanley.com/disclosures/dol). Individuals are encouraged to consult their tax and legal advisors (a) before establishing a retirement plan or account, and (b) regarding any potential tax, ERISA and related consequences of any investments made under such plan or account.

Annuities and insurance products are offered in conjunction with Morgan Stanley Smith Barney LLC's licensed insurance agency affiliates.

Indices are unmanaged and investors cannot directly invest in them. They are not subject to expenses or fees and are often comprised of securities and other investment instruments the liquidity of which is not restricted. A particular investment product may consist of securities significantly different than those in any index referred to herein. Composite index results are shown for illustrative purposes only, generally do not represent the performance of a specific investment, may not, for a variety of reasons, be an appropriate comparison or benchmark for a particular investment and may not necessarily reflect the actual investment strategy or objective of a particular investment. Consequently, comparing an investment to a particular index may be of limited use.

This material is not a financial plan and does not create an investment advisory relationship between you and your Morgan Stanley Financial Advisor. We are not your fiduciary either under the Employee Retirement Income Security Act of 1974 (ERISA) or the Internal Revenue Code of 1986, and any information in this report is not intended to form the primary basis for any investment decision by you, or an investment advice or recommendation for either ERISA or Internal Revenue Code purposes. Morgan Stanley Private Wealth Management will only prepare a financial plan at your specific request using Private Wealth Management approved financial planning signature.

We may act in the capacity of a broker or that of an advisor. As your broker, we are not your fiduciary and our interests may not always be identical to yours. Please consult with your Private Wealth Advisor to discuss our obligations to disclose to you any conflicts we may from time to time have and our duty to act in your best interest. We may be paid both by you and by others who compensate us based on what you buy. Our compensation, including that of your Private Wealth Advisor, may vary by product and over time.

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**For index, indicator and survey definitions referenced in this report please visit the following:** <https://www.morganstanley.com/wealth-investmentsolutions/wmir-definitions>

**The Consulting Group Capital Markets Funds, Firm Discretionary UMA Model Portfolios,** and other asset allocation or any other model portfolios discussed in this material are available only to investors participating in Morgan Stanley Consulting Group advisory programs. For additional information on the Morgan Stanley Consulting Group advisory programs, see the applicable ADV brochure, available at [www.morganstanley.com/ADV](http://www.morganstanley.com/ADV) or from your Morgan Stanley Financial Advisor or Private Wealth Advisor. To learn more about the Consulting Group Capital Markets Funds, visit the Funds' website at [www.morganstanley.com/cgcm](http://www.morganstanley.com/cgcm). Consulting Group is a business of Morgan Stanley.

**Morgan Stanley Pathway Program Asset Allocation Models** There are model portfolios corresponding to five risk-tolerance levels available in the Pathway program. Model 1 is the least aggressive portfolio and consists mostly of bonds. As the model numbers increase, the models have higher allocations to equities and become more aggressive. Pathway is a mutual fund asset allocation program. In constructing the Pathway Program Model Portfolios, Morgan Stanley Wealth Management uses, among other things, model asset allocations produced by Morgan Wealth Management's Global



Investment Committee (the "GIC"). The Pathway Program Model Portfolios are specific to the Pathway program (based on program features and parameters, and any other requirements of Morgan Stanley Wealth Management's Consulting Group). The Pathway Program Model Portfolios may therefore differ in some respects from model portfolios available in other Morgan Stanley Wealth Management programs or from asset allocation models published by the Global Investment Committee.

**529 Plans - Investors should carefully read the Program Disclosure statement, which contains more information on investment options, risk factors, fees and expenses, and possible tax consequences before purchasing a 529 plan. You can obtain a copy of the Program Disclosure Statement from the 529 plan sponsor or your Financial Advisor.** Assets can accumulate and be withdrawn federally tax-free only if they are used to pay for qualified expenses. Earnings on nonqualified distributions will be subject to income tax and a 10% federal income tax penalty. Contribution limits vary by state. Refer to the individual plan for specific contribution guidelines. Before investing, investors should consider whether tax or other benefits are only available for investments in the investor's home state 529 college savings plan. If an account owner or the beneficiary resides in or pays income taxes to a state that offers its own 529 college savings or pre-paid tuition plan

(an "In-State Plan"), that state may offer state or local tax benefits. These tax benefits may include deductible contributions, deferral of taxes on earnings and/or tax-free withdrawals. In addition, some states waive or discount fees or offer other benefits for state residents or taxpayers who participate in the In-State Plan. An account owner may be denied any or all state or local tax benefits or expense reductions by investing in another state's plan (an "Out-of-State Plan"). In addition, an account owner's state or locality may seek to recover the value of tax benefits (by assessing income or penalty taxes) should an account owner rollover or transfer assets from an In-State Plan to an Out-of-State Plan. While state and local tax consequences and plan expenses are not the only factors to consider when investing in a 529 Plan, they are important to an account owner's investment return and should be taken into account when selecting a 529 plan.

**Lifestyle Advisory Services:** Products and services are provided by third party service providers, not Morgan Stanley Smith Barney LLC ("Morgan Stanley"). Morgan Stanley may not receive a referral fee or have any input concerning such products or services. There may be additional service providers for comparative purposes. Please perform a thorough due diligence and make your own independent decision.

**The Morgan Stanley National Advisory 529 Plan.** The North Carolina State Education Assistance Authority (the "Authority") is an instrumentality of the State of North Carolina sponsoring the Morgan Stanley National Advisory 529 Plan, and the 529 Plan is a component of the Parental Savings Trust Fund established by the General Assembly of North Carolina. Neither the Authority, the State of North Carolina nor any other affiliated public entity or any other public entity is guaranteeing the principal or earnings in any account. Contributions or accounts may lose value and nothing stated herein, the 529 Plan Description and Participation Agreement or any other account documentation shall be construed to create any obligation of the Authority, the North Carolina State Treasurer, the State of North Carolina, or any agency or instrumentality of the State of North Carolina to guarantee for the benefit of any parent, other interested party, or designated beneficiary the rate of return or other return for any contribution to the Parental Savings Trust Fund and the 529 Plan.

Morgan Stanley Smith Barney LLC ("Morgan Stanley") is the manager of the Morgan Stanley National Advisory 529 Plan and is responsible for its administration, distribution and investment management. For more information please see the Morgan Stanley National Advisory 529 Plan Description and the applicable Morgan Stanley ADV brochure at [www.ms.com/adv](http://www.ms.com/adv).

The Morgan Stanley National Advisory 529 Plan is a proprietary offering available exclusively to Morgan Stanley advisory account clients. The Plan is not transferable to other intermediaries.

To obtain **Tax-Management Services**, a client must complete the Tax-Management Form, and deliver the signed form to Morgan Stanley. For more information on Tax-Management Services, including its features and limitations, please ask your Financial Advisor for the Tax Management Form. Review the form carefully with your tax advisor. Tax-Management Services: (a) apply only to equity investments in separate account sleeves of client accounts; (b) are not available for all accounts or clients; and (c) may adversely impact account performance. Tax-management services do not constitute tax advice or a complete tax-sensitive investment management program. There is no guarantee that tax-management services will produce the desired tax results.

**Morgan Stanley Smith Barney LLC** does not accept appointments nor will it act as a trustee but it will provide access to trust services through an appropriate third-party corporate trustee.

A **LifeView Financial Goal Analysis or LifeView Financial Plan ("Financial Plan")** is based on the methodology, estimates, and assumptions, as described in your report, as well as personal data provided by you. It should be considered a working document that can assist you with your objectives. Morgan Stanley Smith Barney LLC ("Morgan Stanley") makes no guarantees as to future results or that an individual's investment objectives will be achieved. The responsibility for implementing, monitoring and adjusting your financial goal analysis or financial plan rests with you. After your Financial Advisor delivers your report to you, if you so desire, your Financial Advisor can help you implement any part that you choose; however, you are not obligated to work with your Financial Advisor or Morgan Stanley.

Since **life and long-term care insurance** are medically underwritten, you should not cancel your current policy until your new policy is in force. A change to your current policy may incur charges, fees and costs. A new policy will require a medical exam. Surrender charges may be imposed and the period of time for which the surrender charges apply may increase with a new policy. You should consult with your own tax advisors regarding your potential tax liability on surrenders.

**The Morgan Stanley Global Impact Funding Trust, Inc. ("MS GIFT, Inc.")** is an organization described in Section 501(c) (3) of the Internal Revenue Code of 1986, as amended. MS Global Impact Funding Trust ("MS GIFT") is a donor-advised fund. Morgan Stanley Smith Barney LLC provides investment management and administrative services to MS GIFT. Back office administration provided by RenPSG, an unaffiliated charitable gift administrator.

**Important Risk Information for Securities Based Lending:** You need to understand that: (1) Sufficient collateral must be maintained to support your loan(s) and to take future advances; (2) You may have to deposit additional cash or eligible securities on short notice; (3) Some or all of your securities may be sold without prior notice in order to maintain account equity at required maintenance levels. You will not be entitled to choose the securities that will be sold. These actions may interrupt your long-term investment strategy and may result in adverse tax consequences or in additional fees being assessed; (4) Morgan Stanley Bank, N.A., Morgan Stanley Private Bank, National Association or Morgan Stanley Smith Barney LLC (collectively referred to as "Morgan Stanley") reserves the right not to fund any advance request due to insufficient collateral or for any other reason except for any portion of a securities based loan that is identified as a committed facility; (5) Morgan Stanley reserves the right to increase your collateral maintenance requirements at any time without notice; and (6) Morgan Stanley reserves the right to call securities based loans at any time and for any reason.

**With the exception of a margin loan, the proceeds from securities based loan products may not be used to purchase, trade, or carry margin stock (or securities, with respect to Express CreditLine); repay margin debt that was used to purchase, trade or carry margin stock (or securities, with respect to Express CreditLine); and cannot be deposited into a Morgan Stanley Smith Barney LLC or other brokerage account. A non-purpose securities based loan cannot be used to purchase, trade or carry securities or margin stock, as applicable.**

To be eligible for a securities based loan, a client must have a brokerage account at Morgan Stanley Smith Barney LLC that contains eligible securities, which shall serve as collateral for the securities based loan.

**Lending products and securities based loans are provided by Morgan Stanley Smith Barney LLC, Morgan Stanley Private Bank, National Association or Morgan Stanley Bank, N.A., as applicable.**

Liquidity Access Line ("LAL") is a securities based loan/line of credit product, the lender of which is either Morgan Stanley Private Bank, National Association or Morgan Stanley Bank, N.A., as applicable, each an affiliate of Morgan Stanley Smith Barney LLC. All LAL loans/lines of credit are subject to the underwriting standards and independent approval of Morgan Stanley Private Bank, National Association or Morgan Stanley Bank, N.A., as applicable. LAL loans/lines of credit may not be available in all locations. Rates, terms and conditions are subject to change without notice. To be eligible for an LAL loan/line of credit, a client must have a brokerage account at Morgan Stanley Smith Barney LLC that contains eligible securities, which shall serve as collateral for the LAL. In conjunction with establishing an LAL loan/line of credit, an LAL facilitation account will also be opened in the client's name at Morgan Stanley Smith Barney LLC at no charge. Other restrictions may apply. The information contained herein should not be construed as a commitment to lend. Morgan Stanley Private Bank, National Association and Morgan Stanley Bank, N.A. are Members FDIC that are primarily regulated by the Office of the Comptroller of the Currency. **The proceeds from a non-purpose LAL loan/line of credit (including draws and other advances) may not be used to purchase, trade, or carry margin stock; repay margin debt that was used to purchase, trade, or carry margin stock; and cannot be deposited into a Morgan Stanley Smith Barney LLC or other brokerage account.**

Residential mortgage loans/home equity lines of credit are offered by Morgan Stanley Private Bank, National Association, an affiliate of Morgan Stanley Smith Barney LLC. With the exception of the pledged-asset feature, an investment relationship with Morgan Stanley Smith Barney LLC does not have to be established or maintained to obtain the residential mortgage products offered by Morgan Stanley Private Bank, National Association. All residential mortgage loans/home equity lines of credit are subject to the underwriting standards and independent approval of Morgan Stanley Private Bank, National Association. Rates, terms, and programs are subject to change without notice. Residential mortgage loans/home equity lines of credit may not be available in all states; not available in Guam, Puerto Rico and the U.S. Virgin Islands. Other restrictions may apply. The information contained herein should not be construed as a commitment to lend. Morgan Stanley Private Bank, National Association is an Equal Housing Lender and Member FDIC that is primarily regulated by the Office of the Comptroller of the Currency. Nationwide Mortgage Licensing System Unique Identifier #663185. **The proceeds from a residential mortgage loan (including draws and advances from a home equity line of credit) are not permitted to be used to purchase, trade, or carry eligible margin stock; repay margin debt that was used to purchase, trade, or carry margin stock; or to make payments on any amounts owed under the note, loan agreement, or loan security agreement; and cannot be deposited into a Morgan Stanley Smith Barney LLC or other brokerage account.**

Through the pledged-asset feature of ered by Morgan Stanley Private Bank, National Association, the applicant(s) or third party pledgor (collectively "Client") may be able to pledge eligible securities in lieu of a full or partial cash down payment or in connection with a ref nance mortgage loan. To be eligible for the pledged-asset feature a Client must have a brokerage account at Morgan Stanley

Smith Barney LLC. If the value of the pledged securities in the account drops below the agreed-upon level stated in the loan documents, a Client may be required to deposit additional securities or other collateral (such as cash) to stay in compliance with the terms of the mortgage loan. If a Client does not deposit additional securities or other collateral, the Client's pledged securities may be sold to satisfy the Client's obligation, and the Client will not be entitled to choose which assets will be sold. Borrowing against securities may not be appropriate for everyone. In deciding whether the pledged-asset feature is appropriate, a Client should consider, among other things, the degree to which he or she is comfortable subjecting his or her investment in a home to the f uctuations of the securities market. The pledged-asset feature is not available in all states. Other restrictions may apply.

Interest-only loans enable borrowers to make monthly payments of only the accrued monthly interest on the loan during the introductory interest-only period. Once that period ends, borrowers must make monthly payments of principal and interest for the remaining loan term, and payments will be substantially higher than the interest-only payments. During the interest-only period, the total interest that the borrower will be obligated to pay will vary based on the amount of principal paid down, if any. If a borrower makes just an interest-only payment, and no payment of principal, the total interest payable by the borrower during the interest-only period will be greater than the total interest that a borrower would be obligated to pay on a traditional loan of the same interest rate having principal-and-interest payments. In making comparisons between an interest-only loan and a traditional loan, borrowers should carefully review the terms and conditions of the various loan products available and weigh the relative merits of each type of loan product appropriately. The interest rate and payments on an adjustable rate mortgage ("ARM") loan may increase over the life of a loan as interest is f xed for a specif ed period and then will adjust periodically thereafter. The annual percentage rate may increase after consummation of the loan.

3/6M, 5/6M, 7/6M, 10/6M adjustable rate mortgage ("ARM") loans are based on the Secured Overnight Financing Rate ("SOFR") 30-Day Average.

Relationship-based pricing of ered by Morgan Stanley Private Bank, National Association is based on the value of clients', or their immediate family members' (i.e., grandparents, parents, and children) eligible assets (collectively "Household Assets") held within accounts at Morgan Stanley Smith Barney LLC. To be eligible for relationship-based pricing, Household Assets must be maintained within appropriate eligible accounts prior to the closing date of the residential mortgage loan. Relationship-based pricing is not available on conforming loans.

The Morgan Stanley Debit Card is issued by Morgan Stanley Private Bank, National Association pursuant to a license from Mastercard International Incorporated. Mastercard and Maestro are registered trademarks of Mastercard International Incorporated. The third-party trademarks and service marks contained herein are the property of their respective owners. Investments and services of ered through Morgan Stanley Smith Barney LLC, Member SIPC.

Cash management and lending products and services are provided by Morgan Stanley Smith Barney LLC, Morgan Stanley Private Bank, National Association or Morgan Stanley Bank, N.A, as applicable.

Morgan Stanley Private Bank, National Association or Morgan Stanley Bank, N.A, each a national bank, Member FDIC.

The information provided herein is not intended to address any particular matter and may not apply depending on the context, as all clients' circumstances are unique.

Morgan Stanley Smith Barney LLC is a registered Broker/Dealer, Member SIPC, and not a bank. Where appropriate, Morgan Stanley Smith Barney LLC has entered into arrangements with banks and other third parties to assist in of ering certain banking related products and services.

**Investment, insurance and annuity products offered through Morgan Stanley Smith Barney LLC are: NOT FDIC INSURED | MAY LOSE VALUE | NOT BANK GUARANTEED | NOT A BANK DEPOSIT | NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY**

The trust services referenced herein are provided by the third parties listed who are not af liated with Morgan Stanley. Neither Morgan Stanley nor its af liates are the provider of such trust services and will not have any input or responsibility concerning a client's eligibility for, or the terms and conditions associated with these trust services. Neither Morgan Stanley nor its af liates shall be responsible for content of any advice or services provided by the unaf liated third parties listed herein. Morgan Stanley or its af liates may participate in transactions on a basis separate from the referral of clients to these third parties and may receive compensation in connection with referrals made to them.

Trusts are not necessarily appropriate for all clients. There are risks and considerations which may outweigh any potential benefits. Establishing a trust will incur fees and expenses which may be substantial. Trusts often incur ongoing administrative fees and expenses such as the services of a corporate trustee or tax professional.

The Portfolio Analysis report ("Report") is generated by Morgan Stanley Smith Barney LLC's ("Morgan Stanley") Portfolio Risk Platform. The assumptions used in the Report incorporate portfolio risk and scenario analysis employed by BlackRock Solutions ("BRS"), a financial technology and risk analytics provider that is independent of Morgan Stanley. BRS' role is limited to providing risk analytics to Morgan Stanley, and BRS is not acting as a broker-dealer or investment adviser nor does it provide investment advice with respect to the Report. Morgan Stanley has validated and adopted the analytical conclusions of these risk models.

Any recommendations regarding external accounts/holdings are asset allocation only and do not include security recommendations. Transitioning from a brokerage to an advisory relationship may not be appropriate for some clients.

**IMPORTANT:** The projections or other information provided in the Report regarding the likelihood of various investment outcomes (including any assumed rates of return and income) are hypothetical in nature, do not reflect actual investment results, and are not guarantees of future results. Hypothetical investment results have inherent limitations.

- There are frequently large differences between hypothetical and actual results.

- Hypothetical results do not represent actual results and are generally designed with the benefit of hindsight.

- They cannot account for all factors associated with risk, including the impact of financial risk in actual trading or the ability to withstand losses or to adhere to a particular trading strategy in the face of trading losses.

- There are numerous other factors related to the markets in general or to the implementation of any specific strategy that cannot be fully accounted for in the preparation of hypothetical risk results and all of which can adversely affect actual performance.

Morgan Stanley cannot give any assurances that any estimates, assumptions or other aspects of the risk analyses will prove correct. They are subject to actual known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those shown in a Report. The information is as of the date of the Report or as otherwise noted within the Report. Morgan Stanley expressly disclaims any obligation or undertaking to update or revise any statement or other information contained in a Report to reflect any change in past results, future expectations or circumstances upon which that statement or other information is based.

The Platinum Card® from American Express exclusively for Morgan Stanley is issued by American Express National Bank, not Morgan Stanley Smith Barney LLC. Services and rewards for the Cards are provided by either Morgan Stanley Smith Barney LLC, American Express, or other third parties. Restrictions and other limitations apply. See the terms and conditions for the Cards for details. Clients are urged to review fully before applying. Morgan Stanley, its affiliates and Morgan Stanley Financial Advisors and employees are not in the business of providing tax or legal advice. Clients should speak with their tax advisor regarding the potential tax implications of the Rewards Program upon their specific circumstances. The Platinum Card® from American Express Exclusively for Morgan Stanley is issued by American Express National Bank. ©2021 American Express National Bank.

To be eligible to earn the 60,000 Membership Rewards® points, you must be enrolled in the Membership Rewards program at the time of eligible purchase. 60,000 Membership Rewards points will be credited to your account after you charge a total of \$5,000 (the "Threshold Amount") or more of eligible purchases on your Platinum Card from American Express within the first 3 months of Platinum Card Membership. Eligible purchases can be made by the Basic Card Member and any Additional Card Members on a single Card account. Eligible purchases are purchases for goods and services minus returns and other credits. Eligible purchases to meet the Threshold Amount do NOT include fees or interest charges, purchases of travelers' checks, purchases or reloading of prepaid cards, purchases of gift cards, person-to-person payments, or purchases of other cash equivalents. Additional terms and restrictions apply. Points will be credited to your Membership Rewards account within 8–12 weeks after the last eligible purchase you made to meet the Threshold Amount appears on your monthly billing statement. If you have any questions regarding this offer, please call the number on the back of your Card. If we in our sole discretion determine that you have engaged in abuse, misuse, or gaming in connection with the welcome offer in any way or that you intend to do so (for example, if you applied for one or more cards to obtain a welcome offer(s) that we did not intend for you; if you cancel or downgrade your account within 12 months after acquiring it; or if you cancel or return purchases you made to meet the Threshold Amount), we may not credit the 60,000 Membership Rewards points to, we may freeze the 60,000 Membership Rewards points credited to, or we may take

away the 60,000 Membership Rewards points from your account. We may also cancel this Card account and other Card accounts you may have with us. Your Card account must not be canceled or past due at the time of fulfillment of any of these. You can earn 60,000 Membership Rewards points after spending \$5,000 starting from the date your account is approved. In rare instances, your period to spend \$5,000 may be shorter than 3 months if there is a delay in receiving your Card. Also, purchases may fall outside of the 3 month period in some cases, such as a delay in merchants submitting transactions to us or if the purchase date differs from the date you made the transaction. (For example, if you buy goods online, the purchase date may be the date the goods are shipped.) Terms and Conditions for the Membership Rewards® program apply. Visit [membershiprewards.com/terms](http://membershiprewards.com/terms) for more information. Participating partners and available rewards are subject to change without notice. The value of Membership Rewards points varies according to how you choose to use them. To learn more, go to [www.membershiprewards.com/pointsinfo](http://www.membershiprewards.com/pointsinfo). American Express reserves the right to modify or revoke of either at any time. The Morgan Stanley Cards from American Express are issued by American Express bank, not Morgan Stanley Smith Barney LLC. Services and rewards for the Cards are provided by Morgan Stanley Smith Barney LLC, American Express or other third parties. Restrictions and other limitations apply. See the terms and conditions for the Cards for details. Clients are urged to review fully before applying. Morgan Stanley, its affiliates and Morgan Stanley Financial Advisors and employees are not in the business of providing tax or legal advice. Clients should speak with their tax advisor regarding the potential tax implications of the Rewards Program upon their specific circumstances.

American Express may share information about your Card Account with Morgan Stanley in support of Morgan Stanley programs and services. For information as to how Morgan Stanley will use your Card Account data please visit [http://www.morganstanley.com/wealth/investmentsolutions/pdfs/adv/mssb\\_privacynotice.pdf](http://www.morganstanley.com/wealth/investmentsolutions/pdfs/adv/mssb_privacynotice.pdf).

You will get one point for each dollar charged for an eligible purchase on your Platinum Card® from American Express. You will get 4 additional points (for a total of 5 points) for each dollar spent on eligible travel purchases made on [amextravel.com](http://amextravel.com). Eligible travel purchases include the following purchases made on [amextravel.com](http://amextravel.com): scheduled flights, prepaid hotel purchases (including hotels and flight+hotel packages), minus returns and other credits. Eligible travel purchases do NOT include non-prepaid hotel bookings, car rentals and cruises, hotel group reservations or events, ticketing service, cancellation or other fees, interest charges, purchases of travelers checks, purchases or reloading of prepaid cards, or purchases of other cash equivalents. To be eligible for the 5x Membership Rewards® points, you must both reserve and charge the travel purchase with the same eligible Platinum Card®. To modify a reservation, you must cancel and rebook your reservation. You can cancel and rebook your reservation on [amextravel.com](http://amextravel.com) or by calling a representative of [amextravel.com](http://amextravel.com) at 1-800-297-2977.

Cancellations are subject to hotel cancellation policies. If hotel reservations are made or modified directly with the hotel provider, the reservation will not be eligible for this 5X Membership Rewards® point benefit. Bonuses you may receive with your Card on other purchase categories or in connection with promotions or offers from American Express may not be combined with this benefit. Merchants are assigned codes based on what they primarily sell. A purchase will not qualify for additional points if the merchant's code is not eligible. The benefits associated with the Additional Card(s) you choose may be different than the benefits associated with your basic Card.

Your Platinum Card® from American Express will get 4 additional points (for a total of 5 points) on the first \$500,000 on eligible air purchases of scheduled flights made directly with a passenger airline or through American Express Travel (via the phone by calling 1-800-525-3355 or online via [amextravel.com](http://amextravel.com)) per calendar year. See [membershiprewards.com/terms](http://membershiprewards.com/terms) for the Membership Rewards program terms

Obtain one (1) Additional Platinum Card for no additional annual fee. You can get up to the next three (3) Additional Platinum Cards for a total annual fee of \$175. Then, each Additional Platinum Card can be obtained for an annual fee of \$175. There is no annual fee for Additional Gold Cards. Additional Card Members must be at least 13 years of age and never have had a defaulted account with American Express.

The Centurion® Lounge: Morgan Stanley Platinum Card Members have unlimited complimentary access to all locations of The Centurion Lounge. Gold Card and Green Card Additional Cards on your Morgan Stanley Platinum Card account are not eligible for complimentary access. Card Members may bring up to two (2) companions into The Centurion Lounge. To access The Centurion Lounge, the Card Member must present The Centurion Lounge agent with the following upon each visit: his or her valid Card, a boarding pass showing a confirmed reservation for same-day travel on any carrier and a government issued I.D. Failure to present this documentation may result in access being denied. Card Members will not be compensated for changes in locations, rates or policies. A Card Member must be at least 18 years of age to enter without a parent or legal guardian. For locations with a self-service bar, the Card Member must be of legal drinking age in the location's jurisdiction to enter without a parent or legal guardian. Must be of legal drinking age to consume alcoholic beverages. Please drink responsibly. American Express reserves the right to remove any person from the Lounge for inappropriate behavior or failure to adhere to rules, including, but not limited to, conduct that is disruptive, abusive or violent. Access is subject to space availability. Hours may vary by location and are subject to change. Amenities vary among The Centurion Lounge locations and are subject to change. Services and amenities in the Lounge are complimentary, however you are responsible for any purchases and/or servicing charges you authorize our Member Services Professionals to perform on your behalf. Some American Express Cards are not eligible for all services provided by Member Services Desk. American Express will not be liable for any articles lost or stolen or damages suffered by the purchaser or visitor inside The Centurion Lounge. Use of The Centurion Lounge is subject to all rules and conditions set by American Express. American Express reserves the right to revise the rules at any time without notice.

Basic Card Members on a Consumer Platinum Card or Centurion account are eligible for Uber VIP and the monthly Amex Benefit ("Amex Benefit"). Additional Centurion Cards are also eligible for the Amex Benefit. To receive this benefit, you must have downloaded the Uber App version 3.363.10000 or later for iOS or version 4.274.10000 or later for Android and your eligible Platinum Card or Centurion Card must be a method of payment in your Uber account. If you are assigned a new Card number, you must update your method of payment in your Uber account. Cards added to your Uber account through a third party such as Apple Pay or PayPal will not be eligible. An eligible Platinum Card or Centurion Card may receive this benefit on one Uber account. If the same Card is added to multiple Uber accounts, only the first Uber account to which the Card is added will receive the benefit. It takes up to 24 hours for the Amex Benefit to be available in Uber Cash after your eligible Card has been added to your Uber account. Uber VIP is available in select cities and is governed by Uber's terms and conditions. The monthly Amex Benefit is found within your Uber Cash balance. In order to use the Amex Benefit, Uber Cash must be turned on. If Uber Cash is turned on when you request a ride, Uber Cash will appear above the confirmation button. If Uber Cash does not appear above the confirmation button, tap on the current payment option and turn on Uber Cash. The Amex Benefit may be applied to all Uber car types and on Uber Eats orders where Uber Cash can be applied. If your Amex Benefit in your Uber Cash balance does not satisfy the cost of your ride or order, the primary payment method on your Uber account will be charged for the difference. The Amex Benefit will not apply to previous Uber transactions and cannot be used when paying with an uberFAMILY profile. New and existing Uber users are eligible. Uber will apply the Amex Benefit at the point of sale and it will be displayed on your email receipt. There is no limit to the number of transactions you may apply your Amex Benefit to each month, up to a total of \$15 per month (up to a total of \$35 in December). The Amex Benefit in Uber Cash may only be applied within the United States. Your monthly Amex Benefit expires at 11:59 PM Hawaii Standard Time on the last day of each month. Unused balance in Uber Cash from your Amex Benefit will not carry over to the following month. Your Amex Benefit will be applied for the month in which the transaction is completed. If a transaction is eligible for another promotion that you have added to your Uber account, the promotion will be applied before your Amex Benefit. Certain other types of balances in Uber Cash may be applied to the cost of your ride or order prior to your Amex Benefit in Uber Cash. For purposes of fulfilling upon this benefit, American Express will share with Uber certain information about your Card, including the Card type, and updated Card information from time to time. If you do not wish to participate in this program, please call the number on the back of your Card. If you do not see the Amex Benefit in Uber Cash by 5:00 PM Hawaii Standard Time on first of the month, simply call the number on the back of your Card.

The CashPlus Account is a brokerage account offered through Morgan Stanley Smith Barney LLC. Conditions and restrictions apply. Please refer to the CashPlus Account Disclosure Statement at <https://www.morganstanley.com/wealthdisclosures/cashplusaccountdisclosurestatement.pdf>.

\$550 Annual Engagement Bonus for Platinum CashPlus accounts may be received if 1) you are the Basic Card Member of the Platinum Card from American Express Exclusively for Morgan Stanley (the Basic Card Member is defined as the primary account holder); or 2) you spend at least \$100,000 during the calendar year across Morgan Stanley Debit Cards associated with Platinum CashPlus Accounts in your ALG. Each ALG is only eligible for one bonus per calendar year. For more information please refer to the CashPlus Account Disclosure Statement.

The qualifying criteria to avoid the monthly account fee for all CashPlus Accounts in an Account Link Group (ALG) is: an additional eligible Morgan Stanley investment account (that may include additional fees), one Morgan Stanley Online enrollment; for Premier CashPlus account \$2,500 monthly deposit or \$25,000 Average BDP Daily Balance; for Platinum CashPlus account \$5,000 monthly deposit and \$25,000 Average BDP Daily Balance. For more information, please refer to the CashPlus Account Disclosure Statement at <https://www.morganstanley.com/wealth-disclosures/cashplusaccountdisclosurestatement.pdf>.

The qualifying criteria to avoid the monthly account fee for all CashPlus Accounts in an Account Link Group (ALG) is: an additional eligible Morgan Stanley investment account (that may include additional fees), one Morgan Stanley Online enrollment; for Premier CashPlus account \$2,500 monthly deposit or \$25,000 Average BDP Daily Balance; for Platinum CashPlus account \$5,000 monthly deposit and \$25,000 Average BDP Daily Balance. For more information, please refer to the CashPlus Account Disclosure Statement at <https://www.morganstanley.com/wealth-disclosures/cashplusaccountdisclosurestatement.pdf>.

CashPlus Accounts receive SIPC coverage for securities and free credit balances and cash swept into the Bank Deposit Program receives FDIC insurance, both up to applicable limits.

Securities Investor Protection Corporation ("SIPC") — Morgan Stanley Smith Barney LLC is a member of SIPC, which protects securities of its customers up to \$500,000 (including \$250,000 for claims for cash). Losses due to market fluctuation are not protected by SIPC. To obtain information about SIPC, including an explanatory SIPC brochure, contact SIPC at 1-202-371-8300 or visit [www.sipc.org](http://www.sipc.org)

Federal Deposit Insurance Corporation ("FDIC") — Cash balances swept into deposit accounts at participating banks in the Bank Deposit Program are protected by FDIC Insurance up to applicable FDIC limits. FDIC insurance is a federal government program administered by the Federal Deposit Insurance Corporation. This insurance covers bank deposits held in checking accounts, savings accounts, certificates of deposits and money market deposits (not money market funds). This insurance comes into play in the event of a bank failure and covers client cash up to a total of \$250,000 per bank, for each "insurable capacity" (e.g. each individual, joint, etc.). It does not cover investment products that are not deposits, such as mutual funds, annuities, life insurance policies, stocks or bonds. Refer to

<https://www.fdic.gov> for additional details.

The Active Assets Account is a brokerage account offered through Morgan Stanley Smith Barney LLC. Under the Bank Deposit Program, generally cash balances held in an account(s) at Morgan Stanley Smith Barney LLC are automatically deposited into an interest-bearing FDIC-insured deposit account(s) at Morgan Stanley Bank, N.A. and/or Morgan Stanley Private Bank, National Association, each a national bank, member FDIC, and an affiliate of Morgan Stanley Smith Barney LLC. Detailed information on federal deposit insurance coverage is available on the FDIC's website (<https://www.fdic.gov/deposit/deposits/>).

Under the Preferred Savings program ("Preferred Savings"), Morgan Stanley Smith Barney LLC makes available interest-bearing FDIC-insured deposit account(s) at Morgan Stanley Private Bank, National Association, a national bank, Member FDIC, and an affiliate of Morgan Stanley Smith Barney LLC. Deposits placed in Preferred Savings are eligible for FDIC insurance up to \$250,000 (including principal and interest) per depositor for all deposits held in the same insurable capacity (the Maximum Applicable Deposit Insurance Amount). All deposits held in the same insurable capacity will be aggregated for purposes of the Maximum Applicable Deposit Insurance Amount, including deposits maintained through the Bank Deposit Program. The client is responsible for monitoring the total amount held with the bank. The bank also reserves the right to offer promotional rates from time to time. Detailed information on federal deposit insurance coverage is available on the FDIC's website (<https://www.fdic.gov/deposit/deposits/>). The Preferred Savings program is not intended for clients who need to have frequent access to funds and those funds will not be automatically accessed to reduce a debit or margin loan in your brokerage account. Withdrawals from an account in Preferred Savings are limited to 10 transactions per calendar month, and any withdrawal or transfer over the limit in any one calendar month will be subject to an excess withdrawal fee.

Reserved clients are eligible for unlimited ATM fee rebates and Non-Reserved clients are eligible for up to \$200 in annual ATM fee rebates per calendar year. CashPlus clients receive unlimited ATM fee rebates worldwide. Daily withdrawal limits of \$1,500 to \$5,000 for ATMs and \$25,000 to \$50,000 for teller cash advances, depending upon tier. Unlike ATM fees that are rebated, Morgan Stanley will not reimburse fees that banks may charge for Debit Card cash advances.

While Morgan Stanley will always make transferred and deposited funds available immediately for investment purposes, we may not make all transferred or deposited funds immediately available for withdrawal. Funds deposited by check or funds transfer may be delayed depending on certain circumstances, such as dollar value, account status, etc., and could be held for up to six business days. Please contact your Financial Advisor or Private Wealth Advisor for additional information and/or review the Fund Availability Policy by signing into your Morgan Stanley Online account.

To review the Bank Deposit Program Disclosure Statement refer to [https://www.morganstanley.com/wealth-investmentstrategies/pdf/BDP\\_disclosure.pdf](https://www.morganstanley.com/wealth-investmentstrategies/pdf/BDP_disclosure.pdf)

Mastercard benefits and full Debit Card terms and conditions can be found at <https://www.morganstanley.com/wealth/services/pdfs/debitcardstc.pdf>.

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Stock Rating Category	Coverage Universe		Investment Banking Clients (IBC)			Other Material Investment Services Clients (MISC)	
	Count	% of Total	Count	% of Total IBC	% of Rating Category	Count	% of Total Other MISC
<b>Overweight/Buy</b>	<b>1500</b>	<b>43%</b>	<b>414</b>	<b>48%</b>	<b>28%</b>	<b>666</b>	<b>44%</b>
<b>Equal-weight/Hold</b>	<b>1492</b>	<b>43%</b>	<b>376</b>	<b>43%</b>	<b>25%</b>	<b>670</b>	<b>44%</b>
<b>Not-Rated/Hold</b>	<b>1</b>	<b>0%</b>	<b>0</b>	<b>0%</b>	<b>0%</b>	<b>0</b>	<b>0%</b>
<b>Underweight/Sell</b>	<b>513</b>	<b>15%</b>	<b>80</b>	<b>9%</b>	<b>16%</b>	<b>191</b>	<b>13%</b>
<b>Total</b>	<b>3,506</b>		<b>870</b>			<b>1527</b>	

Data include common stock and ADRs currently assigned ratings. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months. Due to rounding off of decimals, the percentages provided in the "% of total" column may not add up to exactly 100 percent.

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SOURCE OF PERFORMANCE INFORMATION FOR INVESTMENT MANAGERS AVAILABLE IN CONSULTING AND EVALUATION SERVICES, FIDUCIARY SERVICES OR SELECT UMA: Each investment manager included in this report that participates in one or more of the Consulting and Evaluation Services, Fiduciary Services or Select UMA programs ("Programs") has a track record of investing assets in the relevant investment discipline. The investment manager's gross performance track record shown in this report consists of its gross performance in either the Morgan Stanley or the Smith Barney form of the Fiduciary Services program (if that investment manager is in the Fiduciary Services program) for periods for which sufficient data is available. If the strategy or similar strategies are available in both the Morgan Stanley and Smith Barney forms of the program, this profile presents the composite for the strategy that is closest to the strategy currently offered in the Fiduciary Services program. If both strategies are equally close, the profile shows the longer of the two composites. For other periods, the gross performance track record is provided by the investment manager and consists of accounts managed by the investment manager in the same or a similar investment discipline, whether at Morgan Stanley or elsewhere (and may include institutional accounts, retail accounts and/or pooled investment vehicles such as mutual funds).

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There may be differences between the performance in the different forms of the Fiduciary Services program, in different Programs, and between the performance in Programs and performance outside the Programs, due to, among other things, investment and operational differences. For example:

- Institutional accounts included in related performance may hold more securities than the Program accounts, participate in initial public offerings (IPOs) and invest directly in foreign securities (rather than in ADRs).
- Mutual funds included in related performance may hold more securities than the Program accounts, may participate in IPOs, may engage in options and futures transactions, and are subject to certain regulatory limitations.
- Performance results in Select UMA accounts could differ from that in Fiduciary Services accounts because Select UMA accounts may hold fewer securities, and have automatic rebalancing, wash sale loss and tax harvesting features.

You should read the investment manager profile accompanying this report for each investment manager. The investment manager profile gives further details on the sources of performance information for a particular investment manager, as well as other calculations of the manager's performance returns (such as performance net of fees and expenses).

**SOURCE OF PERFORMANCE INFORMATION FOR GLOBAL INVESTMENT SOLUTION STRATEGIES:** In the Global Investment Solutions program, dedicated portfolio managers employed by Morgan Stanley or third party subadvisors make day-to-day investment decisions for clients' accounts invested in various investment strategies. The track record shown in this report for Global Investment Solutions strategies consists of the portfolio management team's gross performance in that strategy in the Global Investment Solutions program (or a predecessor program).

**SOURCE OF PERFORMANCE INFORMATION FOR OTHER INVESTMENT MANAGERS:** For any investment managers shown in this report that are not available in the Consulting and Evaluation Services, Fiduciary Services or Select UMA programs, the performance data is obtained from databases maintained by parties outside Morgan Stanley. This data has been included for your information, and has not been verified by Morgan Stanley in any way. See "Sources of Information" below. The gross performance shown in this report for these managers could differ materially from their gross performance in investment advisory programs offered by firms other than Morgan Stanley. If you have invested with any such manager through another firm, we recommend that you seek information from that firm on the manager's gross and net performance in its programs.



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**BENCHMARK INDICES:** Depending on the composition of your account and your investment objectives, the indices shown in this report may not be appropriate measures for comparison purposes and are therefore presented for illustration only. The indices used in this report may not be the same indices used for comparative purposes in the profile for each investment manager, mutual fund and/or ETF that accompanies this report. 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. Performance of selected indices may be more or less volatile than that of any investment manager/fund shown in this report. Past performance of indices does not guarantee future results. You cannot invest directly in an index.

**MANAGERS AND FUNDS APPROVED IN MORGAN STANLEY WEALTH MANAGEMENT PROGRAMS:** Morgan Stanley Wealth Management approves certain managers and funds offered in its investment advisory programs:

- Morgan Stanley Wealth Management's Global Investment Manager Analysis (“GIMA”) team approves managers and funds offered in Consulting and Evaluation Services, Fiduciary Services, and Select UMA.
- Managers and funds offered in Institutional Consulting Group and Graystone Consulting programs may be approved by GIMA, approved by Morgan Stanley Wealth Management using another process, or not approved by Morgan Stanley Wealth Management.
- Morgan Stanley Wealth Management does not approve managers in the Investment Management Services consulting program.
- Managers in the Global Investment Solutions (GIS) program are not evaluated by GIMA.

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**KEY ASSET CLASS RISK CONSIDERATIONS:** Investing in securities entails risk including the risk of losing principal. There is no assurance that the investment disciplines and investment managers/funds selected will meet their intended objectives.

**Commodities – Diversified:** The commodities markets may fluctuate widely based on a variety of factors including 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; weather; technological change; and the price volatility of a commodity. In addition to commodity risk, commodity-linked notes may be subject to special risks, such as risk of loss of interest and principal, lack of a secondary market and risk of greater volatility that do not affect traditional equity and debt securities.

**Commodities - Precious Metals:** The prices of Commodities - Precious Metals tend to fluctuate widely and in an unpredictable manner, and have historically experienced extended periods of flat or declining prices. The prices of Commodities - Precious Metals are affected by several factors, including global supply and demand, investors' expectations with respect to the rate of inflation, currency exchange rates, interest rates, investment and trading activities of hedge funds and commodity funds, and global or regional political, economic or financial events and situations.

**Fixed Income:** Fixed income securities are subject to certain inherent risks such as credit risk, reinvestment risk, call risk, and interest rate risk. Fixed income securities are sensitive to changes in prevailing interest rates. When interest rates rise, the value of fixed income securities generally declines. Accordingly, managers or funds that invest in fixed income securities are subject to interest rate risk and portfolio values can decline in value as interest rates rise and an investor can lose principal.

**High Yield Fixed Income:** As well as being subject to risks relating to fixed income generally (see “Fixed Income”), high yield or “junk” bonds are considered speculative, have significantly higher credit and default risks (including loss of principal), and may be less liquid and more volatile than investment grade bonds. Clients should only invest in high yield strategies if this is consistent with their risk tolerance, and high yield investments should comprise only a limited part of a balanced portfolio.

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**International/Emerging Market:** International investing (including investing in particular countries or groups of countries) should be considered only one component of a complete and diversified investment program. Investing in foreign markets may entail greater risks than those normally associated with domestic markets, such as foreign political, currency, economic and market risks. In addition, the securities markets of many emerging markets are substantially smaller, less developed, less liquid and more volatile than the securities markets of the U.S. and other more developed countries. Further, a portfolio that focuses on a single country may be subject to higher volatility than one that is more diversified.

**Preferred Securities:** Preferred securities are generally subject to the same risks as apply to fixed income securities. (See “Fixed Income.”) However, preferred securities (especially equity preferred securities) may rank below traditional forms of debt for the purposes of repayment in the event of bankruptcy. Many preferred securities are “callable” meaning that the issuer may retire the securities at specific prices and dates prior to maturity. If a preferred security is called, the investor bears the risk of reinvesting proceeds at a potentially lower return. Investors may not receive regular distributions on preferred securities. For example, dividends on equity preferred securities may only be declarable in the discretion of the issuer's board and may not be cumulative. Similarly, interest payments on certain debt preferred securities may be deferred by the issuer for periods of up to 10 years or more, in which case the investor would still have income tax liability even though payments would not have been received.

**Real Estate:** Real estate investments are subject to special risks, including interest rate and property value fluctuations as well as risks related to general and local conditions.

**Small and Mid Cap:** Investments in small-to medium-sized corporations are generally more vulnerable to financial risks and other risks than larger corporations and may involve a higher degree of price volatility than investments in the broad equity market.

**Hedged and Alternatives Strategies:** In most Consulting Group investment advisory program, alternative investments are limited to US registered open-end mutual funds, separate account strategies, and ETFs that seek to pursue alternative investment strategies or returns utilizing publicly traded securities. Investment products in this category may employ 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 Investments are not suitable for all investors.

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Managed Futures: Involve a high degree of risk, often involve leveraging and other speculative investment practices that may increase the risk of investment loss, can be highly illiquid, are not required to provide periodic pricing or valuation information to investors, may involve complex tax structures and delays in distributing important tax information, are not subject to the same regulatory requirements as mutual funds, often charge high fees which may offset any trading profits, and in many cases the underlying investments are not transparent and are known only to the investment manager.

Master Limited Partnerships (MLPs) are limited partnerships or limited liability companies whose interests (limited partnership or limited liability company units) are generally traded on securities exchanges like shares of common stock. Investment in MLPs entails different risks, including tax risks, than is the case for other types of investments. Currently, most MLPs operate in the energy, natural resources or real estate sectors and are subject to the risks generally applicable to companies in those sectors, including commodity pricing risk, supply and demand risk, depletion risk and exploration risk. Depending on the ownership vehicle, MLP interests are subject to varying tax treatment.

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**ALPHA:** Synonym of 'value added', linearly similar to the way beta is computed, alpha is the incremental return on a portfolio when the market is stationary. In other words, it is the extra expected return due to non-market factors. This risk-adjusted measurement takes into account both the performance of the market as a whole and the volatility of the portfolio. A positive alpha indicates that a portfolio has produced returns above the expected level at that level of risk, and vice versa for a negative alpha.

**ANNUALIZED RETURN:** The constant rate of return that, compounded annually, would yield the same overall return for a period of more than one year as the actual return observed for that period.

**ANNUALIZED EXCESS RETURN:** Excess return represents the difference between the manager's return and the return of a benchmark for that manager. Annualized excess return is calculated by taking the annualized return of the original series and forming the difference between the two. A positive annualized excess return implies that the manager outperformed the benchmark over the time period shown.

**BEST AND WORST PERIOD RETURNS:** The best period return for a time window is simply the maximum of the returns for that period inside this window. Similarly, the worst period return for a time window is the minimum of the returns for that period inside this window. To calculate the best one-year return for a return series, the program moves a one-year time window along the series and calculates the compound return for each of these windows. The best one-year return is the maximum of the returns thus found. Similarly, the worst one-year return is the minimum of the returns thus found. Therefore, best and worst one-year returns do not refer to calendar years.

**BETA:** The measure of a portfolio's risk in relation to the market (for example, the S&P 500) or to an alternative benchmark or factors. Roughly speaking, a portfolio with a beta of 1.5 will have moved, on average, 1.5 times the market return. According to asset pricing theory, beta represents the type of risk, systematic risk, which cannot be diversified away. When using beta, there are a number of issues that you need to be aware of: (1) betas may change through time; (2) betas may be different depending on the direction of the market (i.e. betas may be greater for down moves in the market rather than up moves); (3) the estimated beta will be biased if the portfolio does not frequently trade; and (4) the beta is not necessarily a complete measure of risk (you may need multiple betas). Also, note that the beta is a measure of co movement, not volatility. It is possible for a security to have a zero beta and higher volatility than the market.

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**CORRELATION:** Statistical method to measure how closely related the variances of two series are. Assets that are highly correlated would be expected to react in similar ways to changing market conditions.

**CUMULATIVE RETURN:** The total return on an investment over a specified time period.

**CUMULATIVE EXCESS RETURN:** Excess return represents the difference between the manager's return and the return of a benchmark for that manager. Cumulative excess return is calculated by taking the cumulative return of the original series and forming the difference between the two. A positive cumulative excess return implies that the manager outperformed the benchmark over the time period shown.

**DOWNSIDE CAPTURE RATIO:** For each portfolio, this is calculated by (1) identifying the calendar quarters in which the portfolio's benchmark index had negative returns and then (2) for those quarters, dividing the portfolio's annualized net performance by the benchmark index's performance. For investors, the lower the downside capture ratio, the better. For example, a downside capture ratio of 90% means that the portfolio's losses were only 90% of the market's losses (as represented by the benchmark index).

**DOWNSIDE DEVIATION:** Similar to Standard Deviation, but Downside Deviation captures the range of expected returns only on the down side [when the returns fall below the minimum acceptable return (MAR)].

**DRAWDOWN (MAXIMUM DRAWDOWN):** The Maximum loss (compounded, not annualized) that the manager incurred during any sub-period of the time period shown.

**DRAWDOWN BEGIN DATE:** the first date of the sub-period used to calculate the maximum drawdown

**DRAWDOWN END DATE:** The last date of the sub period used to calculate the maximum drawdown

**DRAWDOWN LENGTH:** The number of periods (months or quarters depending on the periodicity of the data) the sub-period used to calculate the maximum drawdown

**DRAWDOWN RECOVERY DATE:** Date at which the compounded returns regain the peak level that was reached before the drawdown began

**DRAWDOWN RECOVERY LENGTH:** Number of periods it takes to reach the recovery level from maximum drawdown end date

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**EXCESS RETURN:** The difference between the returns of two portfolios. Usually excess return is the difference between a portfolio's return and the return of a benchmark for that portfolio.

**GAIN TO LOSS RATIO:** Divides the average gain in an up period by the average loss in a down period. A higher Gain to Loss Ratio is more favorable.

**HIGH WATER MARK:** The High Water Mark represents the peak level of the manager's return, as represented by the peak of the cumulative return series.

**HIGH WATER MARK DATE:** The date which the High Water Mark was reached.

**UNDER WATER LOSS:** Loss incurred between the high water mark date and the end of the period analyzed

**UNDER WATER LENGTH:** Length of the time interval that begins with the high water mark and ends with the analysis period

**TO HIGH WATER MARK:** The percentage of gain that the manager/fund needs to regain the peak level of the cumulative return series

**INFORMATION RATIO:** Measures the active return of the manager divided by the manager's active risk. Active return is the annualized differences of the manager and the benchmark index, while active risk is measured by tracking error. The higher the information ratio, the better. An information ratio of 0 implies that a manager/fund (or benchmark index, if applicable) has provided a return that is equivalent to the risk of the benchmark return.

**MAR:** Stands for "Minimum Acceptable Return." This represents the lowest return possible that could be considered a successful result of the investment. In most cases, the MAR will either be defined as 0 (meaning no negative return) or as the return of a cash benchmark (meaning the investment had a higher return than simply keeping the investment amount in the relatively safe investment of money market funds). Please refer to the specific chart/statistic to see the specific MAR used in the illustration.

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**MANAGER STYLE (RETURNS BASED STYLE ANALYSIS):** A measure for analyzing the style of a portfolio's returns when compared with the quarterly returns on a number of selected style indices (the "Style Basis"). These style indices represent distinct investment styles or asset classes such as large cap value, large cap growth, small cap growth, small cap value, government bonds, or cash equivalents asset classes. Style analysis uses a calculation procedure that finds the combination of selected indices that best tracks (i.e. that has the highest correlation to) a given manager's return series. This allows the advisor to capture an accurate picture of the investment style of the manager without viewing the underlying holdings.

**OMEGA:** A measure of volatility designed to capture the entire return distribution (useful for investments that do not have normal return distributions), the Omega is tied to a MAR (see above) and shows the ratio of the entire upside performance to the entire downside, with the MAR representing the dividing line between upside and downside. (e.g. If MAR = 0.00%, any positive return is captured in the upside and any negative return is captured in the downside).

**PAIN INDEX:** Represents the frequency, the depth, and the width of the manager/fund's drawdowns. The Pain Index captures the information for every period in which the manager/fund is negative. A higher Pain Index indicates that the manager/fund had a more negative result when considering not just the depth (lowest return) but also the frequency of negative returns (frequency) and the amount of time that the return remained negative (width).

**PAIN RATIO:** A risk/return ratio which uses the Pain Index as the measure of risk. The higher the Pain Ratio, the better the risk-adjusted return of the portfolio.

**ROLLING WINDOW:** Indicates that the chart or statistic was evaluated using periodic smaller windows of data on a rolling basis. As an example, a 20 Quarter Rolling Window (Annual Roll) over a 10 year period indicates that 5 year (20 quarter) periods of time were evaluated from the start date, moving forward one year at a time, for the duration of the 10 year period, resulting in 5 "windows". Evaluating data this way allows us to remove end point bias and determine a measure of consistency in performance.

**R-SQUARED:** Used to show how much of a portfolio's variability can be accounted for by the market. For example, if a portfolio's R-Squared is 0.79, then 79% of the portfolio's variability is due to market conditions. As R-Squared approaches 100%, the portfolio is more closely correlated with the market.



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**SHARPE RATIO:** Developed by William F. Sharpe, this calculation measures a ratio of return to volatility. It is useful in comparing two portfolios or stocks in terms of risk-adjusted return. The higher the Sharpe Ratio, the better the risk-adjusted return of the portfolio. It is calculated by first subtracting the risk free rate (Citigroup 3-month T-bill) from the return of the portfolio, then dividing by the standard deviation of the portfolio. Using Sharpe ratios to compare and select among investment alternatives can be difficult because the measure of risk (standard deviation) penalizes portfolios for positive upside returns as much as the undesirable downside returns.

**SINGLE COMPUTATION:** For a single computation chart, StyleADVISOR calculates the information over the entire time period shown as a single data point. AS an example, in a chart showing 10 years of performance, a “Single Computation” would represent the statistic shown over the entire 10 year window.

**STANDARD DEVIATION:** A statistical measure of the degree to which the performance of a portfolio varies from its average performance during a specified period. The higher the standard deviation, the greater the volatility of the portfolio's performance returns relative to its average return. A portfolio's returns can be expected to fall within plus or minus one standard deviation, relative to its average return, two-thirds of the time, and fall within plus or minus two standard deviations relative to its average return, 95% of the time. For example, if a portfolio had a return of 5% and a standard deviation of 13% then, if future volatility of returns is similar to historical volatility (which may not be the case):

- About two-thirds of the time, the future returns could be expected to fall between -8% and 18% (being 5% +/- 13%)
- About 95% of the time, the future returns could be expected to fall between -21% and 31% (being 5% +/- 26%).

In performance measurement, it is generally assumed that a larger standard deviation means that great risk was taken to achieve the return.

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**STYLE BASIS:** A set of indices that represent the broad asset category being utilized. The Style Basis is used in the equation that calculates the Manager Style (see definition). The “Manager Style” chart shows the specific benchmarks utilized in the Style Basis. The following Style Bases would be appropriate for the asset classes shown below:

- Domestic Equity: Russell Generic Corners; Russell 6 Way Style basis; S&P Pure Style Basis
- International Equity: MSCI Regional Style Basis; MSCI World Ex USA Style Basis; MSCI International Equity Style Basis; S&P Regional International Indexes, S&P International 4 Way Style Basis
- Global Equity: MSCI World Style Basis; MSCI World Regional Indexes; MSCI Global Equity Style Basis
- Fixed income: Citigroup Corporate Bond Indexes; BofA Merrill Lynch Fixed Income Indexes; Citigroup Govt Fixed Income Indexes; Global Bond Indexes

**STYLE BENCHMARK:** A unique benchmark calculated for each manager/fund based on the Returns Based Style Analysis described above. The “Asset Allocation” chart in Zephyr shows the specific weightings used for the Style Benchmark for each manager or fund.

**TRACKING ERROR:** A measurement that indicates the standard deviation of the difference between a selected market index and a portfolio’s returns. The portfolio’s returns are then compared to the index’s returns to determine the amount of excess return, which produces a tracking error. A low tracking error indicates that the portfolio is tracking the selected index closely or has roughly the same returns as the index.

**UPSIDE CAPTURE RATIO:** For each portfolio, this is calculated by (1) identifying the calendar quarters in which the portfolio’s benchmark index had positive returns and then (2) for those quarters, dividing the portfolio’s annualized net performance by the benchmark index’s performance. A percentage less than 100% indicates that the portfolio “captured” less performance than the benchmark index, while a percentage greater than 100% indicates the portfolio captured more performance than the benchmark index. For investors, the higher the upside capture ratio, the better. For example, if the annualized performance of an benchmark index during “up” markets (when its returns were zero or positive) is 20.8% and the portfolio’s annualized performance during the same period is 16.8%, then the portfolio’s upside capture ratio is  $16.8\%/20.8\% = 80.7\%$ , meaning the portfolio “captured” 80.7% of the upside performance of the index. Stated another way, the portfolio in this example performed almost 20% worse than the market during up periods.

**VARIANCE:** A measure of how spread out a distribution is. It is computed as the average squared deviation of each number from its mean.

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***It is important to consider a fund's investment objectives, risks, charges and expenses carefully before investing. The prospectus contains this and other information about the fund. A copy of the prospectus may be obtained from your Financial Advisor or Private Wealth Advisor. Please read the prospectus carefully before investing in the fund.***

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*PUBLIC INPUT*

*CLOSED SESSION*

*(Report on Item to be  
Discussed in Closed Session)*

*RECONVENE OPEN SESSION/  
REPORT ON CLOSED SESSION*

*ADJOURNMENT – THE DECEMBER 2021  
PERSONNEL, PENSION AND  
INVESTMENT COMMITTEE MEETING  
IS SCHEDULED FOR TUESDAY,  
DECEMBER 14, 2021, AT 12:00 P.M.*