

# THE THOLL PEARSON GROUP AT MORGAN STANLEY

## THE PS ROTATION EQUITY STRATEGY

### OVERVIEW<sup>5</sup>:

The Tholl Pearson Group (TPG) at Morgan Stanley is a team with experienced portfolio managers. For implementing the asset allocation and security selection decisions across all of our portfolios, we employ a security ranking process that we call, PowerScore (PS).

### INVESTMENT STRATEGY<sup>5</sup>:

PowerScore is the proprietary methodology we've developed over 35 years of market fluctuations and experience managing the assets of wealthy families and major institutions. We believe that capital markets are an arena of competition for capital. Those that win in the competition for capital enhance shareholder value, while those that lose in the competition for capital reduce shareholder value. The highest PowerScore ranked companies are overweighted, while the lower PowerScore ranked companies are either underweighted or excluded. To track investor capital flow, we have developed a methodology that assigns a numeric PowerScore to every security and market segment we follow. Our process is completely quantitative and repeatable since it involves no qualitative predictions of how markets might perform in the future. Instead, based upon the current PowerScore ranking, we allocate to where capital is flowing right now.

We employ PowerScore rankings across the 20 companies that are the most heavily weighted in their respective sector and index ETFs to determine a Style overweight, either Growth or Value. As of December 2024 the PMs manage over \$989.8 million in Portfolio Management strategies.

### INVESTMENT PROCESS<sup>5</sup>:

Using data from our special application linkage to Bloomberg, we examine the trailing returns of a variety of listed securities over various timeframes – say, one month, three months and six months. We place greater emphasis on intermediate-term returns and employ a mathematical formula to assign each security a numeric PowerScore. We designate a list of eligible individual equity securities and then rank them by their respective PowerScores. The highest PowerScore ranked equity securities are incorporated into the Portfolio, while the lower PowerScore ranked equity securities are either underweighted or entirely excluded from the Portfolio.

### PORTFOLIO MANAGER(S):

Jerry R. Pearson and Robert C. Tholl

### STRATEGY FACTS<sup>1,2</sup>:

**Inception Date:** February 2015  
**Strategy AUM (Millions):** \$35.64  
**Account Minimum:** \$50,000

### STRATEGY CHARACTERISTICS<sup>3</sup>:

**Security Types:** Individual Stocks  
**Benchmark:** MSCI ACWI  
**Asset Classes:** Equity  
**Targeted Number of Total Holdings:** 10-22  
**Targeted Average Turnover Rate:** 20%

### TOP 10 HOLDINGS<sup>1,2,4</sup>:

- 1) Schwab U.S. Large-cap Growth
- 2) Broadcom Inc
- 3) Amazon Com Inc
- 4) Tesla Inc
- 5) Apple Inc
- 6) Alphabet Inc Cl A
- 7) Netflix Inc
- 8) Nvidia Corporation
- 9) Salesforce Inc
- 10) Oracle Corp

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**PORTFOLIO PERFORMANCE <sup>1,2</sup>**

<b>ANNUAL RATES OF RETURN</b>	<b>YTD</b>									
	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
PM Strategy (Net)	34.92%	35.12%	(22.07%)	21.14%	26.25%	27.37%	(8.05%)	20.13%	8.61%	2.37%
PM Strategy (Gross)	36.42%	36.61%	(21.14%)	22.57%	27.79%	29.39%	(6.48%)	22.14%	10.22%	3.05%
Composite Dispersion	0.46%	0.12%	N/A	0.29%	2.63%	N/A	0.10%	0.09%	0.07%	N/A
MSCI ACWI	17.99%	22.77%	(18.00%)	19.01%	16.84%	27.26%	(8.96%)	24.59%	8.47%	(0.33%)

<b>TOTAL RETURNS</b>	<b>1yr</b>	<b>3yr</b>	<b>5yr</b>	<b>Since Inception</b>
PM Strategy (Net)	34.92%	12.42%	16.79%	13.13%
PM Strategy (Gross)	36.42%	13.70%	18.15%	14.60%
MSCI ACWI	17.99%	5.91%	10.56%	10.02%

<b>STANDARD DEVIATION</b>	<b>1yr</b>	<b>3yr</b>	<b>5yr</b>	<b>Since Inception</b>
PM Strategy	13.13%	17.69%	18.01%	15.15%
MSCI ACWI	8.79%	16.21%	17.34%	14.83%

<b>SHARPE RATIO</b>	<b>1yr</b>	<b>3yr</b>	<b>5yr</b>	<b>Since Inception</b>
PM Strategy	2.37	0.55	0.87	0.85
MSCI ACWI	1.45	0.12	0.47	0.56

See page 3 - Endnotes

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### Important Endnotes For The PM Strategy

#### Page 1:

1. Data is as of December 31, 2024, subject to change without notice.
2. Source: Morgan Stanley Wealth Management and ACA Compliance.
3. Indices are unmanaged and not available for direct investment.
4. The Top 10 Holdings indicates the largest security holdings in the composite measured as a percentage of the total composite using the market value as of the date of this report. The Top 10 Holdings herein is provided for informational purposes only and should not be deemed to be a recommendation to purchase or sell the securities mentioned. There are no guarantees that any of the securities mentioned will be held in a client's account. It should not be assumed that the securities transactions or holdings discussed were or will prove to be profitable.
5. Overview, Investment Strategy and Investment Process are descriptions of the PM Strategy provided by the Portfolio Manager managing the strategy.

#### Page 2:

1. Data is as of December 31, 2024, subject to change without notice. Past performance does not guarantee future results. Indices are unmanaged and not available for direct investment.
2. Source: Morgan Stanley Wealth Management and ACA Compliance.

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## THE PS ROTATION EQUITY STRATEGY

### Important Disclosures For The PM Strategy

The information in this presentation reflect the aggregate, actual performance of the accounts within the composite for the stated period. Your portfolios in this strategy may not hold certain securities held in the PM Strategy or may include other securities. Additionally, securities in your portfolios may have percentage weightings that differ from the PM Strategy.

Investment advisory accounts are subject to an annual asset-based fee which is payable monthly in advance (some account types may be billed differently), (the “Fee”). In general, the Fee covers Morgan Stanley investment advisory services, custody of securities with Morgan Stanley, trade execution with or through Morgan Stanley or its affiliates, as well as compensation to any Morgan Stanley Financial Advisor. In addition, each account that is invested in a program that is eligible to purchase certain investment products, such as mutual funds, will also pay a Platform Fee (which is subject to a Platform Fee offset) as described in the applicable ADV brochure. The Morgan Stanley Smith Barney LLC Portfolio Management Program is described in the applicable Morgan Stanley Smith Barney LLC ADV Brochure, available at [www.morganstanley.com/ADV](http://www.morganstanley.com/ADV).

If your portfolio is invested in mutual funds or exchange traded funds (ETFs), they will pay the fees and expenses of any funds in which their account is invested. Fees and expenses are charged directly to the pool of assets the fund invests in and are reflected in each fund’s share price. You should understand that these fees and expenses are an additional cost to them and would not be included in the Fee amount in their account statements.

Information in this material has been obtained from sources that we believe to be reliable, but we do not guarantee its accuracy, completeness or timeliness. Third party data providers make no warranties or representations relating to the accuracy, completeness or timeliness of the data they provide and are not liable for any damages relating to this data.

Information is subject to change without notice.

Tax laws are complex and subject to change. Morgan Stanley Smith Barney LLC (“Morgan Stanley”), its affiliates and Morgan Stanley Financial Advisors or Private Wealth Advisors do not provide tax or legal advice. Individuals are urged to consult their personal tax or legal advisors to understand the tax and legal consequences of any actions, including any implementation of any strategies or investments described herein.

### Securities Holdings

Holdings are subject to change daily, so any securities discussed in this profile may or may not be included in your account if they invest in this investment strategy. Your account may also include other securities in addition to or instead of any securities discussed in this profile. There is no assurance that any securities discussed herein will remain in an account at the time you receive this profile, or that securities sold have not been repurchased. The securities discussed do not represent all the securities that will be purchased, sold or recommended for your account. Do not assume that any holdings mentioned were, or will be, profitable or that the investment recommendations or decisions made in the future will be profitable or will equal the investment performance of the securities discussed in this material.

Actual account data may differ from that shown in this profile: The performance, holdings, sector weightings, portfolio traits and other data for an actual account may differ from that in this profile due to various factors including the size of an account, cash flows within an account, and restrictions on an account.

Exposure to cash or cash alternatives in this strategy will generally be the result of a cash allocation to facilitate trading but may also include a tactical cash allocation. Additionally, this strategy may have a temporary allocation to cash or cash alternative investments to facilitate your contributions, withdrawals or for the payment of Program fees. Any restriction you impose may result in additional cash exposure.

An investment in an exchange-traded fund involves risks similar to those of investing in a broadly based portfolio of equity securities traded on 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 prices. The investment return and principal value of ETF investments will fluctuate, so that an investor’s ETF shares, if or when sold, may be worth more or less than the original cost.

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### Securities Holdings (cont.)

Top 10 holdings and sector allocation are based on the holdings in the strategy model. Holdings lists indicate the largest security holdings by allocation weight. Sector allocations are based on industry standard sector allocation codes. Top 10 holdings and sector concentration are measured as a percentage of the total portfolio in terms of asset value as of the specified date. The sample portfolio holdings are provided for informational purposes only and should not be deemed to be a recommendation to purchase or sell the securities mentioned. There are no guarantees that any of the securities mentioned will be held in your account. It should not be assumed that the securities transactions or holdings discussed were or will prove to be profitable.

### Indices

Indices are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only and do not represent the performance of any specific investment. Index returns include the reinvestment of all dividends, but do not reflect the payment of transaction costs, advisory fees or expenses that are associated with an investment. The indices selected by Morgan Stanley to measure performance are representative of broad asset classes. Morgan Stanley retains the right to change representative indices at any time.

Performance of indices may be more or less volatile than any investment product. The risk of loss in value of a specific investment is not the same as the risk of loss in a broad market index. Therefore, the historical returns of an index will not be the same as the historical returns of a particular investment you select. Past performance does not guarantee future results.

The MSCI ACWI Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. The MSCI ACWI consists of 44 country indices comprising 23 developed and 21 emerging market country indices. The developed market country indices included are: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom and the United States. The emerging market country indices included are: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, and Turkey. An investment cannot be made directly in a market index.

### Performance and Other Portfolio Information

Investment results depicted in this material represent historical performance. As a result of recent market activity, current performance may vary from the figures shown. Past performance does not guarantee future results. There is no guarantee that this investment strategy will work under all market conditions. Actual individual account results for a period may differ from the performance shown in this report for that period depending on, e.g., the size of an account, cash flows within an account, restrictions on an account, and the fee charged to you.

Performance results include all cash and cash equivalents, are annualized for time periods greater than one year and include realized and unrealized capital gains and losses and reinvestment of dividends, interest and other income. Totals are rounded to the nearest dollar and, as such, may not equal the sum of the detail.

Performance results depicted as “net-” of-fees shall mean that the advisory fee has been deducted (and accordingly net-of-fee performance reflects the impact of these fees). Any other fees or expenses associated with the account, such as third party custodian or execution fees, have not been deducted. Performance results depicted as “gross-” of-fees do not reflect the deduction of any advisory fee and other expenses. Actual returns will be reduced by advisory fees and any other expenses. For more information on trading and costs, please refer to the applicable ADV Brochure, available at [www.morganstanley.com/ADV](http://www.morganstanley.com/ADV)

The composite returns are presented both net and gross of actual advisory fees. The composite was created by Morgan Stanley Smith Barney LLC from its account records. The composite inception date for the PM Strategy is February 2015. The composite for the PM Strategy consists of 43 accounts with a market value of \$35.64 million as of December 31, 2024.

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### Performance and Other Portfolio Information (cont.)

Investment returns of accounts invested in the Strategy are determined on the basis of trade-date accounting (meaning that securities transactions are recorded on the date on which the transaction occurs, except interest earned in connection with a transaction is recorded on the date the transaction settles). The cash flows (i.e., contributions and withdrawals) are weighted based on the actual date of each contribution or withdrawal. The rate of return is calculated on a time-weighted rate of return basis with the portfolios being revalued daily. The time-weighted rate of return minimizes the effect of cash flows on the investment performance of the portfolio.

### Portfolio Statistics Glossary

**Composite Dispersion:** Represents the range of account returns from the highest to the lowest account return and includes only accounts that were in the composite for the entire performance period.

**Sharpe Ratio:** is a risk-adjusted measure derived directly from the CAPM. It is the ratio of the excess return of an account over the risk-free rate of return to the volatility of these excess returns. A high Sharpe ratio relative to other peers indicates better account efficiency in terms of excess account returns per unit of risk. The Sharpe ratio shown in this report is calculated since the composite's inception.

**Standard Deviation:** is a statistical measure of historical variability or spread of returns around a mathematical average return that was produced by the portfolio manager over a given time period. The higher the standard deviation, the greater the variability in the investment manager's returns relative to its average return. The standard deviation shown in this report is calculated since the composite's inception.

### Composite Descriptions

The information in this report relates to a composite of accounts that consists of the fee-paying, discretionary accounts that the specified Financial Advisor manages in the stated strategy in the Portfolio Management program.

Accounts are included or excluded from the composite as follows:

- Only accounts in the Portfolio Management program managed in the Strategy are eligible for composite inclusion. Portfolio Management accounts not managed in the PM Strategy are excluded from this composite.
- Accounts are eligible for composite inclusion if it is managed as part of the strategy for the entire quarter. Accounts not in the Strategy for an entire quarter will be excluded from the composite for that quarter.
- Any account with account flows exceeding 25% of the portfolio are excluded from the composite. Flows are not netted. Accounts with flows less than 25% of the portfolio, will be included in the composite.
- Any account that has gross performance, for the current reporting period, that is 3 standard deviations from the gross mean of the composite return will be excluded from the composite.
- If an account owner in the strategy composite gives notice to terminate discretion and/or close their PM account, the account will be removed from the composite after the last full quarter it qualified for composite inclusion and was managed in the strategy.

Additionally, if upon review of the composites, it is determined that the rules did not exclude an account that should not be included, the account may be manually removed from the composite.

Accounts with restrictions may be included in the composite.

The composite performance for accounts invested in the Strategy is derived by geometrically linking monthly composite total rates of return. Monthly composite total rates of return are computed as the average of each portfolio's monthly total rate of return within the composite weighted by its respective beginning market value.

The performance of each account within the composite is equal to the change in the market value of the portfolio, including capital appreciation, depreciation and income, as a percentage of the beginning market value of the portfolio, adjusted for the net of all contributions and withdrawals (the 'Cash Flows').

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### **Composite Descriptions (cont.)**

The cash balance of accounts invested in the Strategy fluctuates on a daily basis as purchases or sales of securities occur, as dividends are received, and as funds are contributed to or withdrawn from such accounts, and the yield received on such balances will be calculated daily at the prevailing rates on the particular day.

The U.S. Dollar is the currency used to express the performance of the Strategy.

### **Program Descriptions**

In the Portfolio Management ("PM") Program, selected Financial Advisors manage your assets on a discretionary basis. This means that the PM Financial Advisor, and not you, has the discretion to decide what securities to buy and sell in your account. The PM Financial Advisor is responsible for making and implementing investment management decisions in your PM account, in light of information you provided about their investment objectives, financial situation and risk tolerance, within the broad parameters established by the PM Program investment guidelines. Please see PM Program ADV Brochure and consult with the PM Financial Advisor for more information on the PM Program investment guidelines and investment strategies.

You have the ability to place reasonable investment restrictions on the management of your account.

### **Key Risk Considerations**

All investing involves risk. An investment in this strategy may result in a loss.

Asset allocation, diversification and rebalancing do not assure a profit or protect against loss. There may be a potential tax implication with a rebalancing strategy. You should consult your tax advisor before implementing such a strategy.

Market risk, which is the risk that securities prices decline overall. Markets are volatile and can decline significantly in response to real or perceived adverse issuer, political, regulatory, market or economic developments in the U.S. and in other countries. Market risk may affect a single company, sector of the economy or the market as a whole.

Strategy risk, which is the risk that the securities in which the strategy invests may respond differently to market and other developments than other types of securities and as such the strategy may not perform in accordance with its objective.

Manager risk, which is the risk that poor security selection will cause the strategy to underperform. This risk is common for all actively managed strategy.

Issuer risk, which is the risk that the value of a security may decline for reasons directly related to the issuer, such as management performance, financial leverage and reduced demand for the issuer's goods or services.

Foreign investment risk, which involves certain risks not typically associated with investments in domestic corporations and obligations issued by the U.S. government, such as currency fluctuations and controls, restrictions on foreign investments, less governmental supervision and regulation, less liquidity and the potential for market volatility and political instability. In addition, the securities markets of many of the emerging markets are substantially smaller, less developed, less liquid and more volatile than the securities of the U.S. and other more developed countries.

Currency risk, which is the risk that as a result of investments in securities denominated in and/or receiving revenues in foreign currencies, those currencies will decline in value relative to the U.S. dollar.

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### Key Asset Class and Security Type Considerations

Equity securities may fluctuate in response to news on companies, industries, market conditions and general economic environment. Companies paying dividends can reduce or stop payouts at any time.

Stocks fluctuate in value and may be worth more or less than their original cost. Past performance is no guarantee of future results.

Securities' market value may fluctuate in response to specific situations for each company, industry, market conditions and general economic environment.

Investing in stock securities involves volatility risk, market risk, business risk, and industry risk. The prices of stocks fluctuate. Volatility risk is the chance that the value of a stock will fall. Market risk is the chance that the prices of all stocks will fall due to conditions in the economic environment. Business risk is the chance that a specific company's stock will fall because of issues affecting it such as the way the company is managed. Industry risk is the chance that a set of factors particular to an industry group will adversely affect stock prices within the industry.

An investment in an exchange-traded fund involves risks similar to those of investing in a broadly based portfolio of equity securities traded on 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 prices. The investment return and principal value of ETF investments will fluctuate, so that an investor's ETF shares, if or when sold, may be worth more or less than the original cost.

***Investors could lose money in Money Market Funds (MMFs). Although MMFs classified as government funds (i.e., MMFs that invest 99.5% of total assets in cash and/or securities backed by the U.S government) and retail funds (i.e., MMFs open to natural person investors only) seek to preserve value at \$1.00 per share, they cannot guarantee they will do so. The price of other MMFs will fluctuate and when an investor sells shares they may be worth more or less than originally paid. MMFs may impose a fee upon sale or temporarily suspend sales if liquidity falls below required minimums. During suspensions, shares would not be available for purchases, withdrawals, check writing or ATM debits. A MMF investment is not insured or guaranteed by the Federal Deposit Insurance Corporation or other government agency.***