Balanced Fund

**Fund Overview**

**Fund Assets Under Management**
$16,359,575

**Annual Investment Management Costs**
Please contact the Foundation office or your local representative for more information regarding fees and investment management costs.

**Description**
The objective of the portfolio is to seek competitive market returns so as to preserve the purchasing power of the funds to meet the charitable needs of the Foundation.

**About Performance**
The investment results depicted herein represent historical Net performance after the deduction of investment management costs.

Annual, cumulative and annualized total returns are calculated assuming reinvestment of dividends and income plus capital appreciation. Performance for periods greater than one year is annualized. The performance data presented has been prepared by the fund or its sponsor.

Past performance is not a guarantee of future results.

**Target Asset Allocation**

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash &amp; Equivalents</td>
<td>3.0%</td>
</tr>
<tr>
<td>US Equity</td>
<td>30.0%</td>
</tr>
<tr>
<td>Alternative Investments</td>
<td>3.0%</td>
</tr>
<tr>
<td>Fixed Income/Cash</td>
<td>21.0%</td>
</tr>
<tr>
<td>Intl Equity</td>
<td>21.0%</td>
</tr>
<tr>
<td>Fixed Income/Cash</td>
<td>21.0%</td>
</tr>
</tbody>
</table>

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**Multi-Period Performance Analysis**

![Graph showing multi-period performance analysis]

<table>
<thead>
<tr>
<th>Fund</th>
<th>Return (QTD)</th>
<th>YTD</th>
<th>1 Year</th>
<th>3 Years</th>
<th>5 Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central Kansas Community Foundation</td>
<td>3.31</td>
<td>10.46</td>
<td>11.01</td>
<td>4.43</td>
<td>5.14</td>
</tr>
<tr>
<td>MSCI AC World Net</td>
<td>5.18</td>
<td>17.25</td>
<td>18.64</td>
<td>7.43</td>
<td>10.20</td>
</tr>
<tr>
<td>Barclays Aggregate</td>
<td>0.85</td>
<td>3.14</td>
<td>0.07</td>
<td>2.71</td>
<td>2.06</td>
</tr>
<tr>
<td>65% MSCI ACWI / 35% BC AGG</td>
<td>3.65</td>
<td>12.14</td>
<td>11.83</td>
<td>5.90</td>
<td>7.41</td>
</tr>
</tbody>
</table>

**5 Years Risk / Return Performance Analysis**

<table>
<thead>
<tr>
<th>Fund</th>
<th>Return</th>
<th>Standard Deviation</th>
<th>Sharpe Ratio</th>
<th>Maximum Drawdown</th>
<th>Alpha</th>
<th>Beta</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central Kansas Community Foundation</td>
<td>5.14</td>
<td>6.14</td>
<td>0.82</td>
<td>-9.20</td>
<td>-1.39</td>
<td>0.90</td>
</tr>
<tr>
<td>MSCI AC World Net</td>
<td>10.20</td>
<td>9.94</td>
<td>1.01</td>
<td>-13.45</td>
<td>-0.76</td>
<td>1.49</td>
</tr>
<tr>
<td>Barclays Aggregate</td>
<td>2.06</td>
<td>2.84</td>
<td>0.67</td>
<td>-3.67</td>
<td>1.42</td>
<td>0.09</td>
</tr>
<tr>
<td>65% MSCI ACWI / 35% BC AGG</td>
<td>7.41</td>
<td>6.60</td>
<td>1.09</td>
<td>-8.32</td>
<td>0.00</td>
<td>1.00</td>
</tr>
</tbody>
</table>

**Information Disclosures:** The underlying data has been obtained from sources the Foundation believes to be reliable but we do not guarantee their accuracy, and any such information may be incomplete or condensed. This evaluation is for informational purposes only and is not intended to be an offer, solicitation, or recommendation with respect to the purchase or sale of any security or a recommendation of the services supplied by any money management organization.

Further information, including current Fund or Portfolio size, performance, fees, and updated Information for Participants, can be obtained from the Foundation office by contacting Angie Tatro, Executive Director, at 316-283-5474 or via email at angie@centralkansascf.org.
Market Commentary

Capital Markets Commentary

Risk markets globally continued to gain in the third quarter of 2017. Led by international markets, it appears we are in the midst of the most synchronous global economic upturn since 2009. The Morgan Stanley bullish global equity outlook assumes earnings estimates will continue to move higher as the global economic recovery persists, and that valuations can expand further as market participants become more comfortable with the self-sustainability of this recovery. As monetary policy tightens, Morgan Stanley expects to see the re-emergence of volatility as real interest rates rise with real economic growth.

For the quarter, US equities posted strong performance, especially the Info. Tech. sector of the S&P 500, which returned 8.7%. The Consumer Staples sector was a clear laggard (-1.35%) and was the only sector with a negative return for the quarter. While the US had strong performance, the largest returns for the quarter actually came from abroad led by emerging markets’ 8.0% return. The bond market was positive in the third quarter with the High Yield index returning 2.0% and the Barclays Aggregate returning 0.8% as the yield on the 10-yr Treasury increased. Commodities reversed their decline in the third quarter with Bloomberg Index up 2.2%. Macro strategies delivered muted positive returns while event-driven managers posted 1.9% returns on the back of strong equity markets. Global hedge funds were up 1.8.

Morgan Stanley remains constructive on global equities relative to bonds and thinks growth and interest rates will support equity multiples.

S&P 500 Sector Performance

<table>
<thead>
<tr>
<th>Sector</th>
<th>Quarter to Date</th>
<th>Trailing 12 Months</th>
</tr>
</thead>
<tbody>
<tr>
<td>Utilities</td>
<td>-0.1%</td>
<td>2.9%</td>
</tr>
<tr>
<td>Telecom</td>
<td>0.9%</td>
<td>6.8%</td>
</tr>
<tr>
<td>Real Estate</td>
<td>2.2%</td>
<td>12.0%</td>
</tr>
<tr>
<td>Materials</td>
<td>6.0%</td>
<td>21.3%</td>
</tr>
<tr>
<td>Technology</td>
<td>4.2%</td>
<td>28.9%</td>
</tr>
<tr>
<td>Industrials</td>
<td>3.7%</td>
<td>22.4%</td>
</tr>
<tr>
<td>Healthcare</td>
<td>5.2%</td>
<td>15.5%</td>
</tr>
<tr>
<td>Financials</td>
<td>6.8%</td>
<td></td>
</tr>
<tr>
<td>Energy</td>
<td>-1.3%</td>
<td></td>
</tr>
<tr>
<td>Cons. Staples</td>
<td>0.2%</td>
<td>4.4%</td>
</tr>
<tr>
<td>Cons. Disc.</td>
<td>0.8%</td>
<td>14.5%</td>
</tr>
</tbody>
</table>

Bond Market Performance

<table>
<thead>
<tr>
<th>Bond Index</th>
<th>Quarter to Date</th>
<th>Trailing 12 Months</th>
</tr>
</thead>
<tbody>
<tr>
<td>BC High Yield</td>
<td>2.0%</td>
<td>8.9%</td>
</tr>
<tr>
<td>BC MBS</td>
<td>1.0%</td>
<td>8.9%</td>
</tr>
<tr>
<td>BC Credit</td>
<td>1.3%</td>
<td>8.9%</td>
</tr>
<tr>
<td>EM Sovereign</td>
<td>2.4%</td>
<td>8.9%</td>
</tr>
<tr>
<td>BC Treasury</td>
<td>-1.7%</td>
<td>-1.7%</td>
</tr>
<tr>
<td>BC Municipal</td>
<td>1.1%</td>
<td>1.1%</td>
</tr>
<tr>
<td>BC Aggregate</td>
<td>0.1%</td>
<td>0.1%</td>
</tr>
</tbody>
</table>

Global Equity Commentary

In the third quarter, emerging markets (EM) and global developed regions both delivered positive returns. The MSCI EAFE Index (a benchmark for international developed markets) rose 5.5% for U.S.-currency investors and 3.4% for local-currency investors, as the U.S. dollar depreciated in relation to the currencies of many nations in the index. The MSCI Emerging Markets Index increased 8.0% for U.S.-currency investors and the Japanese TOPIX Index increased 4.4% for U.S.-currency investors. The S&P 500 Index increased 4.5% for the quarter with 10 of the 11 sectors generating positive returns for the quarter. Info. Tech., Telecom, and Energy were the top performers while Consumer Staples and Discretionary were the biggest laggards.

Global Fixed Income Commentary

The bond market registered positive returns during the third quarter. The Barclays U.S. Aggregate Bond Index, a general measure of the bond market, increased 0.8% for the quarter. Interest rates increased during the third quarter, as the yield on the 10-year U.S. Treasury note rose to a quarter-end 2.33% from 2.03% at the end of the 2Q 2017. Riskier parts of the bond market such as U.S. high yield debt increased. The Barclays Capital High Yield Index, a measure of lower-rated corporate bonds, rose 2.0%.

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**Glossary of Terms**

**Active Contribution Return:** The gain or loss percentage of an investment relative to the performance of the investment benchmark.

**Active Exposure:** The percentage difference in weight of the portfolio compared to its policy benchmark.

**Active Return:** Arithmetic difference between the manager’s return and the benchmark’s return over a specified time period.

**Actual Correlation:** A measure of the correlation (linear dependence) between two variables X and Y, with a value between +1 and -1 inclusive. This is also referred to as coefficient of correlation.

**Alpha:** A measure of a portfolio's time weighted return in excess of the market’s return, both adjusted for risk. A positive alpha indicates the portfolio outperformed the market on a risk-adjusted basis, and a negative alpha indicates the portfolio did worse than the market.

**Best Quarter:** The highest quarterly return for a certain time period.

**Beta:** A measure of the sensitivity of a portfolio’s time weighted return (net of fees) against that of the market. A beta greater than 1.00 indicates volatility greater than the market.

**Consistency:** The percentage of quarters that a product achieved a rate of return higher than that of its benchmark. The higher the consistency figure, the more value a manager has contributed to the product’s performance.

**Core:** Refers to an investment strategy mandate that is blend of growth and value styles without a pronounced tilt toward either style.

**Cumulative Selection Return (Cumulative Return):** Cumulative investment performance over a specified period of time.

**Distribution Rate:** The most recent distribution paid, annualized, and then divided by the current market price. Distribution rate may consist of investment income, short-term capital gains, long-term capital gains, and/or return of capital.

**Down Market Capture:** The ratio of average portfolio returns over the benchmark during periods of negative benchmark return. Lower values indicate better product performance.

**Downside Risk:** A measure similar to standard deviation, but focuses only on the negative movements of the return series. It is calculated by taking the standard deviation of the negative quarterly set of returns. The higher the value, the more risk the product has.

**Downside Semi Deviation:** A statistical calculation that measures the volatility of returns below a minimum acceptable return. This return measure isolates the negative portion of volatility: the larger the number, the greater the volatility.

**Drawdown:** A drawdown is the peak-to-trough decline during a specific period of an investment, fund or commodity.

**Excess over Benchmark:** The percentage gain or loss of an investment relative to the investment's benchmark.

**Excess Return:** Arithmetic difference between the manager’s return and the risk-free return over a specified time period.

**Growth:** A diversified investment strategy which includes investment selections that have capital appreciation as the primary goal, with little or no dividend payouts. These strategies can include reinvestment in expansion, acquisitions, and/or research and development opportunities.

**Growth of Dollar:** The aggregate amount an investment has gained or lost over a certain time period, also referred to as Cumulative Return, stated in terms of the amount to which an initial dollar investment would have grown over the given time period.

**Investment Decision Process (IDP):** A model for structuring the investment process and implementing the correct attribution methodologies. The IDP includes every decision made concerning the division of the assets under management over the various asset categories. To analyze each decision’s contribution to the total return, a modeling approach must measure the marginal value of every individual decision. In this respect, the hierarchy of the decisions becomes very important. We therefore use the IDP model, which serves as a proper foundation for registering the decisions and relating them to each other.

**Information Ratio:** Measured by dividing the active rate of return by the tracking error. The higher the Information Ratio, the more value-added contribution by the manager.

**Jensen’s Alpha:** The Jensen's alpha measure is a risk-adjusted performance measure that represents the average return on a portfolio or investment above or below that predicted by the capital asset pricing model (CAPM) given the portfolio's or investment's beta and the average market return. This metric is also commonly referred to as alpha.

**Kurtosis:** A statistical measure that is used to describe the distribution, or skewness, of observed data around the mean, sometimes referred to as the volatility of volatility.

**Maximum Drawdown:** The drawdown is defined as the percent retrenchment from a fund's peak to the fund's trough value. It is in effect from the time the fund's retrenchment begins until a new fund high is reached. The maximum drawdown encompasses both the period from the fund's peak to the fund's valley (length), and the time from the fund's valley to a new fund high (recovery). It measures the largest percentage drawdown that has occurred in any fund's data record.

**Modern Portfolio Theory (MPT):** An investment analysis theory on how risk-averse investors can construct portfolios to optimize or maximize expected return based on a given level of market risk, emphasizing that risk is an inherent part of higher reward.

**Mutual Fund (MF):** An investment program funded by shareholders that trade in diversified holdings and is professionally managed.

**Peer Group:** A combination of funds that share the same investment style combined as a group for comparison purposes.

**Peer/ Plan Sponsor Universe:** A combination of asset pools of total plan investments by specific sponsor and plan types for comparison purposes.

**Performance Ineligible Assets:** Performance returns are not calculated for certain assets because accurate valuations and transaction data for these assets are not processed or maintained by us. Common examples of
Performance Statistics: A generic term for various measures of investment performance measurement terms.

Portfolio Characteristics: A generic term for various measures of investment portfolio characteristics.

Preferred Return: A term used in the private equity (PE) world, and also referred to as a "Hurdle Rate." It refers to the threshold return that the limited partners of a private equity fund must receive, prior to the PE firm receiving its carried interest or "carry."

Ratio of Cumulative Wealth: A defined ratio of the Cumulative Return of the portfolio divided by the Cumulative Return of the benchmark for a certain time period.

Regression Based Analysis: A statistical process for estimating the relationships among variables. It includes many techniques for modeling and analyzing several variables, when the focus is on the relationship between a dependent variable and one or more independent variables.

Residual Correlation: Within returns-based style analysis, residual correlation refers to the portion of a strategy’s return pattern that cannot be explained by its correlation to the asset-class benchmarks to which it is being compared.

Return: A rate of investment performance for the specified period.

Rolling Percentile Ranking: A measure of an investment portfolio’s ranking versus a peer group for a specific rolling time period (i.e. Last 3 Years, Last 5 years, etc.).

R-Squared: The percentage of a portfolio's performance explained by the behavior of the appropriate benchmark. High R-Squared means a higher correlation of the portfolio's performance to the appropriate benchmark.


Sector Benchmark: A market index that serves as a proxy for a sector within an asset class.

Sharpe Ratio: Represents the excess rate of return over the risk free return divided by the standard deviation of the excess return. The result is the absolute rate of return per unit of risk. The higher the value, the better the product’s historical risk-adjusted performance results in.

Standard Deviation: A statistical measure of the range of a portfolio's performance; the variability of a return around its average return over a specified time period.

Total Fund Benchmark: The policy benchmark for a complete asset pool that could consist of multiple investment mandates.

Total Fund Composite: The aggregate of multiple portfolios within an asset pool or household.

Tracking Error: A measure of standard deviation for a portfolio's investment performance, relative to the performance of an appropriate market benchmark.

Treynor Ratio: A ratio that divides the excess return (above the risk free rate) by the portfolio’s beta to arrive at a unified measure of risk adjusted return. It is generally used to rank portfolios, funds and benchmarks. A higher ratio is indicative of higher returns per unit of market risk. This measurement can help determine if the portfolio is reaching its goal of increasing returns while managing market risk.

Up Market Capture: The ratio of average portfolio returns over the benchmark during periods of positive benchmark return. Higher values indicate better product performance.

Upside Semi Deviation: A statistical calculation that measures the volatility of returns above an acceptable return. This return measure isolates the positive portion of volatility: the larger the number, the greater the volatility.

Value: A diversified investment strategy that includes investment selections which tend to trade at a lower price relative to its dividends, earnings, and sales. Common attributes are stocks that include high dividend, low price-to-book ratio, and/or low price-to-earnings ratio.

Worst Quarter: The lowest rolling quarterly return for a certain time period.

Information Disclosures

The performance data shown reflects past performance, which does not guarantee future results. Investment return and principal will fluctuate so that an investor's shares when redeemed may be worth more or less than original cost. Please note, current performance may be higher or lower than the performance data shown. For up to date month-end performance information, please contact your Financial Advisor or visit the funds' company website.

Investors should carefully consider the fund’s investment objectives, risks, charges and expenses before investing. The prospectus and, if available the summary prospectus, contains this and other information that should be read carefully before investing. Investors should review the information in the prospectus carefully. To obtain a prospectus, please contact your Financial Advisor or visit the funds’ company website.

Past performance is no guarantee of future results.

Investing involves market risk, including possible loss of principal. Growth investing does not guarantee a profit or eliminate risk. The stocks of these companies can have relatively high valuations. Because of these high valuations, an investment in a growth stock can be more risky than an investment in a company with more modest growth expectations. Value investing involves the risk that the market may not recognize that securities are undervalued and they may not appreciate as anticipated. Small and mid-capitalization companies may lack the financial resources, product diversification and competitive strengths of larger companies. The securities of small capitalization companies may not trade as readily as, and be subject to higher volatility than those of larger, more established companies. Bond funds and bond holdings have the same interest rate, inflation and credit risks that are associated with the underlying bonds owned by the funds. The return of principal in bond funds, and in funds with significant bond holdings, is not guaranteed. International securities* prices may carry additional risks, including foreign economic, political, monetary and/or legal factors, changing currency exchange rates, foreign taxes and differences in financial and accounting standards. International investing may not be for everyone. These risks may be magnified in emerging markets. Alternative investments, including private equity funds, real estate funds, hedge funds, managed futures funds, and funds of hedge funds, private equity, and managed futures funds, are speculative and entail significant risks that can include losses due to leveraging or other speculative investment practices, lack of liquidity, volatility of returns, restrictions on transferring interests in a fund, potential lack of diversification, absence and/or delay of information regarding valuations and pricing, complex tax structures and delays in tax reporting, less regulation and higher fees than mutual funds and risks associated with the operations, personnel and processes of the advisor. Master Limited Partnerships (MLPs) are limited partnerships or limited liability companies that are taxed as partnerships and whose interests (limited partnership units or limited liability company units) are traded on securities exchanges like shares of common stock. Currently, most MLPs operate in the energy, natural resources or real estate
actual investment can be ranked versus its peer across various quantitative metrics.

All Peer Group data are provided by Investment Metrics, LLC.

The URL below provides all the definitions and methodology about the various Peer Groups

https://www.invmetrics.com/style-peer-groups

Peer Group Ranking Methodology

A percentile rank denotes the value of a product in which a certain percent of observations fall within a peer group. The range of percentile rankings is between 1 and 100, where 1 represents a high statistical value and 100 represents a low statistical value.

The 30th percentile, for example, is the value in which 30% of the highest observations may be found, the 65th percentile is the value in which 65% of the highest observations may be found, and so on.

Percentile rankings are calculated based on a normalized distribution ranging from 1 to 100 for all products in each peer group, where a ranking of 1 denotes a high statistical value and a ranking of 100 denotes a low statistical value. It is important to note that the same ranking methodology applies to all statistics, implying that a ranking of 1 will always mean highest value across all statistics.

For example, consider a risk/return assessment using standard deviation as a measure of risk. A percentile ranking equal to 1 for return denotes highest return, whereas a percentile ranking of 1 for standard deviation denotes highest risk among peers.

In addition, values may be used to demonstrate quartile rankings. For example, the third quartile is also known as the 75th percentile, and the median is the 50th percentile.

Alternatives

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As fees are deducted quarterly, the compounding effect will be to increase the impact of the fees by an amount directly related to the gross account performance. For example, for an account with an initial value of $100,000 and a 2.5% annual fee, if the gross performance is 5% per year over a three year period, the compounding effect of the fees will result in a net annual compound rate of return of approximately 2.40% per year over a three year period, and the total value of the client’s portfolio at the end of the three year period would be approximately $115,762.50 without the fees and $107,372.63 with the fees.

Please see the applicable Morgan Stanley Smith Barney LLC Form ADV Part 2A for more information including a description of the fee schedule. It is available at [www.morganstanley.com/ADV](http://www.morganstanley.com/ADV) or from your Financial Advisor/Private Wealth Advisor.

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