# Appendix

## Alpha Balanced Risk Principal Protected Notes Return Simulation*

| Issuer | Hypothetical Structure Maturity (years) | Coupon (yield) | Participation Rate** | Year 1*** Mark-to Market NAV | Total Return | Year 2*** Mark-to Market NAV | Total Return |
|---|---|---|---|---|---|---|---|
| Bank of Montreal | 10 Years | 0% | 100% | 106.89 | 6.9% | 114.40 | 14.4% |
| | | 1% | 100% | 105.89 | 6.9% | 112.33 | 14.3% |
| | | 2% | 100% | 104.89 | 6.9% | 110.26 | 14.3% |
| Morgan Stanley | 10 Years | 0% | 374% | 110.11 | 10.1% | 121.27 | 21.3% |
| | | 1% | 252% | 106.96 | 8.0% | 114.64 | 16.6% |
| | | 2% | 141% | 104.12 | 6.1% | 108.70 | 12.7% |
| | 7 Years | 0% | 273% | 108.85 | 8.8% | 118.36 | 18.4% |
| | | 1% | 177% | 105.97 | 7.0% | 112.27 | 14.3% |
| | | 2% | 91% | 103.38 | 5.4% | 106.84 | 10.8% |
| | 5 Years | 0% | 207% | 107.51 | 7.5% | 115.77 | 15.8% |
| | | 1% | 129% | 104.91 | 5.9% | 110.20 | 12.2% |
| | | 2% | 59% | 102.57 | 4.6% | 105.24 | 9.2% |

| Underlying Index Simulation (for use by Morgan Stanley simulation only) | | | | |
|---|---|---|---|---|
| Net Underlying Index at Inception (31 Dec 2015) | Net Underlying Index End 2016 (30 Dec 2016) | Net Underlying Index End 2017 (29 Dec 2017) | End Year 1 Performance Net of Financing Costs | End Year 2 Performance Net of Financing Costs |
| 98.01 | 103.52 | 108.81 | 5.62% | 11.02% |

PLEASE NOTE: The Mark-to-Market NAV for the Morgan Stanley-issued Alpha Balanced Risk Principal Protected Notes return simulation is calculated using the net present value of the underlying index (i.e., specifically its *Delta*) and dependent on the number of years to maturity.

*Weiss ABR Structured Note Simulation calculates the hypothetical, estimated net asset value and returns of a fund-linked note issued on December 31, 2015 and tied to the upside performance of the PRO FORMA net daily total returns of the Weiss Alternative Balanced Risk Fund (Ticker: WEIKX) calculated using a 1.5% fixed management fee since inception, inclusive of all structuring fees and charges by the issuing entity. Past performance is no guarantee of future returns.
**Source: Bank of Montreal or Morgan Stanley, as labeled. Indicative pricing only. Participation rate is subject to fluctuate as a result of changing market conditions.
***Hypothetical valuation only. Bank of Montreal simulation debits structure and swap fees from ABR returns. Morgan Stanley simulation prepared by Morgan Stanley. Assumes all market parameters unchanged vs February 7, 2018, except for WABR pro forma performance, provided by Weiss over the years 2016 and 2017, net of 1 month LIBOR + 1.45% financing cost (accrued daily over the relevant period). The 1 year forward performance is assumed to be equal to the 2016 WABR pro forma performance; the 2 years forward performance is assumed to be equal to the 2016-2017 WABR pro forma performance, as per the Underlying Index Simulation table above.

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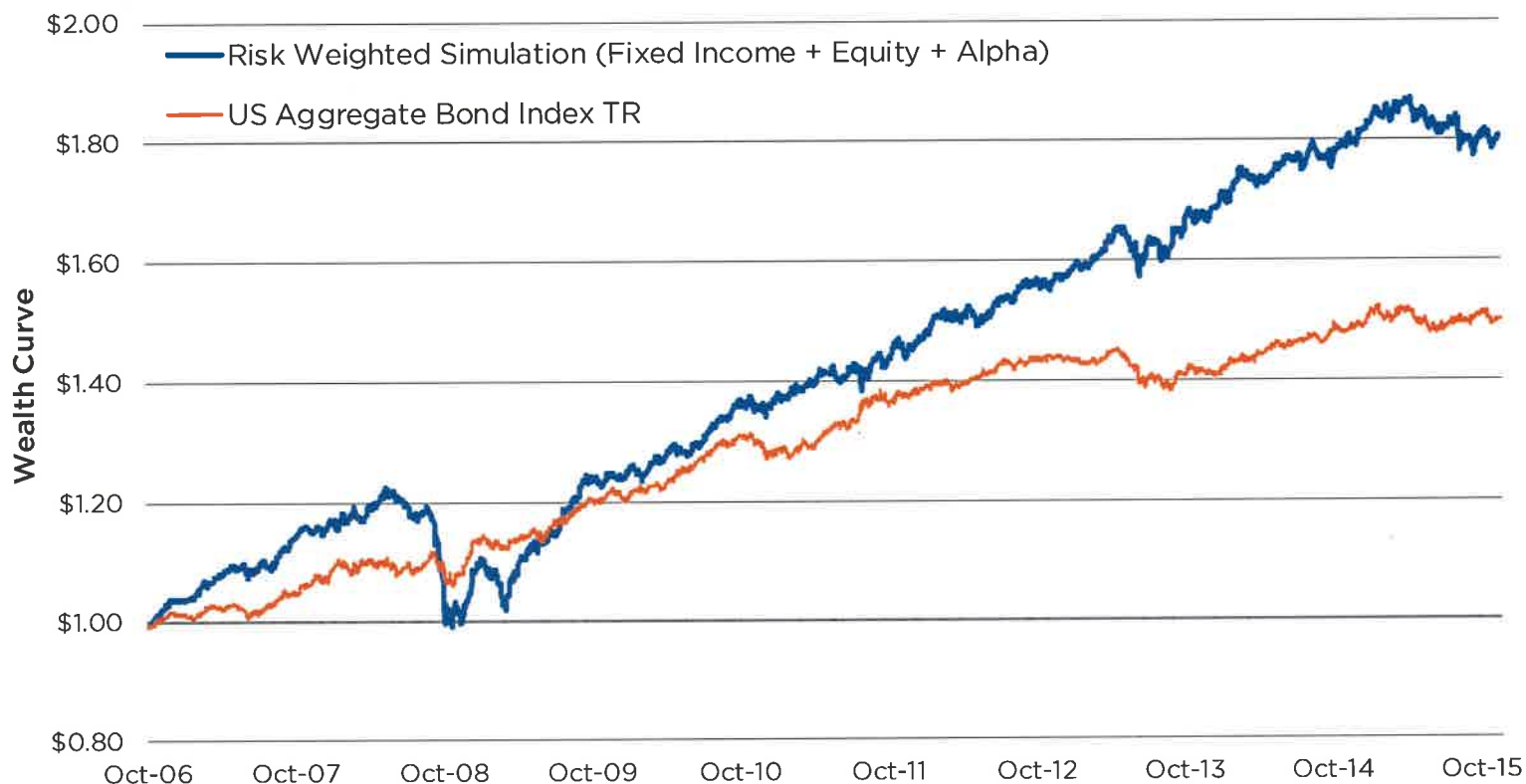
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# Appendix

## Historical Simulation: The Benefits of Risk Weighting in a Portfolio Allocation

Hypothetical Investment of $1

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| | Risk Weighted Simulation* | | | US Aggregate Bond Index TR | | |
|---|---|---|---|---|---|---|
| | CAGR | Volatility | IR | CAGR | Volatility | IR |
| Oct 6, 2006 – Nov 30, 2015 | 6.7% | 5.3% | 1.26 | 4.5% | 3.8% | 1.19 |

*October 2006 – November 2015. The Risk Weighted Simulation includes the simulated net returns of a portfolio construction process with a hypothetical management fee of 1.5% annually that risk-weights individual asset components based upon their 252-day historical volatility, and rebalanced monthly into a portfolio consisting of an equity index basket, a fixed income index basket, and an allocation to alpha represented by the actual gross returns from Weiss Multi-Strategy Partners LLC dating back to October 2006. The US Aggregate Bond Index TR is the gross returns of the Bloomberg Barclays US Aggregate Bond Index. These results are based on simulated performance results that have certain inherent limitations and do not represent an actual portfolio. Also, because these trades have not actually been executed, these results may have under-or over-compensated for the impact, if any, of certain market factors, such as lack of liquidity. Simulated trading programs in general are also subject to the fact that they are designed with the benefit of hindsight. No representation is being made that any account will or is likely to achieve profits or losses similar to these being shown by the simulated portfolio. See additional important disclosures on pages 13-14.

# Appendix

## The Benefits of Favorable NAIC Treatment

### Return per Dollar of Risk Based Capital Charge

| NAIC Rating | RBC Factor | Asset Return | | | | | |
|---|---|---|---|---|---|---|---|
| | | 4.0% | 6.3% | 8.0% | 10.0% | 12.0% | 20.0% |
| 1 | 0.30% | 1333% | 2100% | 2667% | 3333% | 4000% | 6667% |
| 2 | 0.96% | 417% | 656% | 833% | 1042% | 1250% | 2083% |
| 3 | 3.39% | 118% | 186% | 236% | 295% | 354% | 590% |
| 4 | 7.38% | 54% | 85% | 108% | 136% | 163% | 271% |
| 5 | 16.96% | 24% | 37% | 47% | 59% | 71% | 118% |
| 6 | 19.50% | 21% | 32% | 41% | 51% | 62% | 103% |

### Ratio of Asset Return to Risk Based Capital Charge

| NAIC Rating | RBC Factor | Asset Return | | | | | |
|---|---|---|---|---|---|---|---|
| | | 4.0% | 6.3% | 8.0% | 10.0% | 12.0% | 20.0% |
| 1 | 0.30% | 13.3 | 21.0 | 26.7 | 33.3 | 40.0 | 66.7 |
| 2 | 0.96% | 4.2 | 6.6 | 8.3 | 10.4 | 12.5 | 20.8 |
| 3 | 3.39% | 1.2 | 1.9 | 2.4 | 2.9 | 3.5 | 5.9 |
| 4 | 7.38% | 0.5 | 0.9 | 1.1 | 1.4 | 1.6 | 2.7 |
| 5 | 16.96% | 0.2 | 0.4 | 0.5 | 0.6 | 0.7 | 1.2 |
| 6 | 19.50% | 0.2 | 0.3 | 0.4 | 0.5 | 0.6 | 1.0 |

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