

# **Form ADV Firm Brochure Morgan Stanley Smith Barney Venture Services, LLC**

**March 26, 2020**

522 Fifth Avenue  
NY, NY 10036  
Tel: 212-761-4000  
Fax: 866-897-9539

[www.morganstanleyclientserv.com](http://www.morganstanleyclientserv.com)

**This Brochure provides information about the qualifications and business practices of Morgan Stanley Smith Barney Venture Services, LLC (“VS”). If you have any questions about the contents of this Brochure, please contact us at tel. 212-761-4000. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.**

**Additional information about VS also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Registration with the SEC does not imply a certain level of skill or training.**

## **Item 2: Material Changes**

This section identifies and discusses material changes to the ADV Brochure since the version of this Brochure dated March 28, 2019. For more details on any particular matter, please see the item in this ADV Brochure referred to in the summary below.

## Item 3: Table of Contents

Item 2: Material Changes .....	2
Item 3: Table of Contents .....	3
Item 4: Advisory Business .....	5
A. Description of VS, Principal Owners .....	5
B. Description of Advisory Services .....	5
C. Customized Advisory Services and Client Restrictions .....	6
D. Portfolio Management Services to Wrap Fee Programs .....	6
E. Assets Under Management (“AUM”).....	6
Item 5: Fees and Compensation .....	6
A. Compensation for Advisory Services .....	6
B. Payment of Fees.....	7
C. Additional Fees and Expenses .....	7
D. Prepayment of Fees .....	7
Item 6: Performance Based Fees and Side by Side Management .....	7
Item 7: Types of Clients.....	7
Item 8: Methods of Analysis, Investment Strategies and Risk of Loss.....	7
A. Method of Analysis and Investment Strategies .....	7
B. Material, Significant, or Unusual Risks Relating to Investment Strategies.....	7
C. Risks Associated with Particular Types of Securities .....	8
Item 9: Disciplinary Information .....	8
Item 10: Other Financial Industry Activities and Affiliations .....	9
A. Broker-Dealer Registration Status.....	9
B. Futures Commission Merchant, Commodity Pool Operator, or Commodity Trading Adviser Registration Status.....	9
C. Material Relationships or Arrangements with Industry Participants.....	10
D. Material Conflicts of Interest .....	12
Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	13
A. Code of Ethics .....	13
B. Securities That You or a Related Person Has a Material Financial Interest .....	14
C. Investing in Securities That You or a Related Person Recommends to Clients or has a Financial Interest .....	14
D. Conflicts of Interest Created by Contemporaneous Trading .....	14
Item 12: Brokerage Practices .....	14
A. Factors in Selecting or Recommending Broker-Dealers for Client Transactions.....	14
B. Aggregation of Securities Transactions for Clients.....	14
Item 13: Review of Accounts.....	15
Item 14: Client Referrals and Other Compensation .....	15
Item 15: Custody.....	15
Item 16: Investment Discretion.....	15
Item 17: Voting Client Securities.....	16

Item 18: Financial Information .....	16
Item 19: Requirements for State-Registered Adviser .....	16

## Item 4: Advisory Business

### A. Description of VS, Principal Owners

Morgan Stanley Smith Barney Venture Services, LLC (“VS”) was organized in 1999 and is wholly-owned by Morgan Stanley Domestic Holdings Inc. (“Holdings”). Prior to June 28, 2013, VS was indirectly owned 65% by Morgan Stanley (“Morgan Stanley Parent”) and 35% by Citigroup Inc. (“Citigroup” or “Citi”). On June 28, 2013, Morgan Stanley Parent purchased Citi’s 35% interest in VS. Accordingly, VS is now a wholly owned indirect subsidiary of Morgan Stanley Parent.

VS serves as the investment adviser of HedgePremier Composition Series LLC (the “Fund”, or the “Company”), a Delaware limited liability company, which serves as a “feeder fund” that will offer one or more series (each, a “Series”) of units of limited liability company interests (the “Interests”).

For additional information about VS, a copy of VS’s Form ADV Part 1 is available upon request. Form ADV Part 1 is also publicly available at the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

### B. Description of Advisory Services

As investment adviser, VS invests the assets of the Company in an investment in a particular Series of Interests that will provide an investor with the opportunity to obtain exposure to the investment performance of between three (3) and six (6) pre-specified vehicles that it selects (in each case, the “Underlying Funds”). A complete description of the Company, including its investment objective, operations and activities, management fees, incentive allocations and structure can be obtained from the Confidential Private Placement Memorandum, as may be amended from time to time, that is delivered to investors in such Company prior to investment. VS does not provide investment advice directly to investors in the Company. VS provides investment advisory services to the Company pursuant to an investment advisory agreement between VS and the Company. The investment advisory agreement sets forth the circumstances under which the Fund may terminate the services of VS prior to the end of the Fund’s term.

BNY Mellon Investment Servicing (US) Inc. (“BNY”) serves as the administrator for the Company.

As investment adviser to the Fund, VS is responsible for selecting the Underlying Funds in which such Fund invests. In the case of the Underlying Funds in which the Company invests, the identity of each such Underlying Funds corresponding to a particular Series and the approximate percentage of such Series’ assets invested in such Underlying Funds, will be set forth in the supplement to this Confidential Private Placement Memorandum (as amended from time to time) prepared for such Series (each, a “Supplement”). Generally, the Underlying Funds in which the Company invests use the following group of strategies: relative value, event-driven, directional, and multi-strategy.

VS is responsible for investing cash held by the Fund in temporary investments pending investment in an Underlying Fund, pending distribution to investors in the Fund or for any other purpose. “Temporary Investments” include (a) cash or cash equivalents, (b) marketable direct obligations issued or unconditionally guaranteed by the United States of America, or issued by any agency thereof, maturing within one year from the date of acquisition thereof, (c) money market instruments or other short-term debt obligations having at the date of purchase by the Partnership the highest or second highest rating obtainable from either Standard & Poor’s Corporation or Moody’s Investor Services, Inc. or their successors, (d) interest bearing accounts at a registered broker-dealer, (e) obligations of, or fully guaranteed as to timely payment of principal and interest by, the United States of America and with a maturity date not in excess of 18 months from the date of purchase by the Partnership, (f) interest bearing accounts and/or certificates of deposit of any U.S. bank with capital and surplus in excess of \$200 million and whose debt securities are rated at least A by Moody’s Investor Services, Inc. and A2 by Standard and Poor’s Corporation, (g) repurchase agreements of any U.S. bank with capital and surplus in excess of \$200 million and whose debt securities are rated at least A by Moody’s Investor Services, Inc. and A2 by Standard and Poor’s Corporation, (h) a registered investment company that holds itself out as complying with Rule 2a-7 under the Investment Company Act, or (i) pooled investment funds or accounts which invest only in securities or instruments of the type described in (a) through (d). Temporary Investments may include instruments issued, or funds managed, by an affiliate of VS, in which case such affiliate will receive fees or other compensation in connection with such investment.

The Company may receive distributions from an Underlying Fund in kind in the form of marketable securities of portfolio companies, some of which may be restricted securities. With respect to such distributions, VS has the discretion to sell such securities and distribute the cash proceeds, distribute such securities in kind or offer the Fund’s limited partners the option, subject to VS’s consent, either to receive the securities in kind or to have the Fund sell them and distribute the cash proceeds. While VS will use reasonable efforts either to sell or to distribute marketable securities promptly, the Fund’s investors will bear any associated costs or market risks during the disposition process.

### **C. Customized Advisory Services and Client Restrictions**

Subject to the supervision and direction of the Company's general partner, VS will manage the Company's investment portfolio and make investment decisions in accordance with the investment objective, policies, restrictions and limitations specified in the Confidential Private Placement Memorandum and the Company's limited liability company agreement, or other applicable constituent documents.

***Selection of Underlying Funds for the Company.*** VS establishes an Investment Committee for the Company which is responsible for the selection of the Underlying Funds in which the Fund invests. Each Investment Committee may include senior professionals drawn from among the following investment resources of VS and its affiliates.

It is generally expected that an investor in a particular Series will obtain exposure to the investment performance of between three (3) and six (6) Underlying Funds each managed by an investment advisor (an "Underlying Manager") chosen by VS in consultation with its affiliates. The identity of each Underlying Fund corresponding to a particular Series and the approximate percentage of such Series' assets invested in such Underlying Funds, will be set forth in the Supplement prepared for such Series.

Prior to causing the Company to make an investment in an Underlying Fund, VS or one or more of its affiliates will have performed due diligence on such Underlying Fund and its Underlying Manager, utilizing both qualitative and quantitative analyses along with business risk assessment. The quantitative analysis generally includes measures such as past performance, peer group analysis and statistical measures. Qualitative analysis includes reviews of manager documents, extensive questionnaires, multiple on-site visits and reviews of the investment approach, organizational structure, risk management techniques, capacity constraints and investor servicing activities. In addition to quantitative and qualitative analysis, non-investment risk is assessed through a business risk due diligence process in which the quality and reputation of management, the manager's infrastructure, culture of compliance and controls, business continuity plans and quality of service providers are examined.

In addition to the due diligence review described above, VS (in consultation with its affiliates) considers factors such as: (i) the availability of sufficient investment capacity in such Underlying Fund; (ii) the availability of other Underlying Managers or Underlying Funds that VS (in consultation with its affiliates) determines offer more appropriate or superior investment opportunities to qualified clients of Morgan Stanley Smith Barney LLC; and (iii) the attractiveness of blending different Underlying Funds within a particular Series.

VS or one of its affiliates will conduct periodic reviews of each Underlying Fund and its Underlying Manager. VS may terminate an Underlying Manager, and liquidate the Company's position in the corresponding Underlying Fund, if VS (in consultation with its affiliates) determines that, among other things, an Underlying Manager is no longer pursuing its stated investment strategy or strategies or is no longer appropriate for investment by the Company.

### **D. Portfolio Management Services to Wrap Fee Programs**

VS does not provide portfolio management services to wrap fee programs.

### **E. Assets Under Management ("AUM")**

Discretionary AUM at VS was approximately \$ 38,515,051 as of 12/31/2019

## **Item 5: Fees and Compensation**

### **A. Compensation for Advisory Services**

***Compensation for advisory services to the Company.*** The Company will pay VS a fee (the "Management Fee") calculated and accrued monthly as a per annum percentage of value of an investor's investment in a Series. The applicable percentage applied to each investor's investment is determined by the aggregate amount of investments made, minus withdrawals, by an investor in a Series (1.25% per annum for investments less than \$5,000,000 and 1.00% per annum for investments of \$5,000,000 or greater). The Management Fee is payable to VS in arrears as of the last business day of each calendar quarter or upon the withdrawal of an investor from the Company with respect to the amount withdrawn. VS may, in its sole discretion, waive all or any portion of the Management Fee due to VS from any investor without entitling any other investor to a similar waiver. The Management Fee may be modified or changed by the managing member of the Company upon not less than thirty (30) days' prior written notice to all affected investors; provided, that no modification or change to the Management Fee will take effect until the day immediately following the next date upon which the investor may withdrawal all or a portion each investment in each Series of Interests as of each date set forth in the Supplement for such Series. In addition, the Company, as an investor in Underlying Funds, will be subject to all fees and expenses of such Underlying Funds as provided in their organizational documents, including any management fees and carried interest obligations. A complete description of the fees payable by the Company can be obtained from the Confidential Private Placement Memorandum for the Company that is delivered to investors prior to investment.

## **B. Payment of Fees**

As compensation for providing investment advisory services to the Company, VS is paid a quarterly management fee, in arrears, by the Company at a per annum rate set forth in the Confidential Private Placement Memorandum that is delivered to investors in the Company prior to investment.

## **C. Additional Fees and Expenses**

The fees described in this Brochure do not cover:

- the costs of investment management fees and other expenses charged by the investment manager to the Underlying Funds in which the Company invests
- “mark-ups,” “mark-downs,” and dealer spreads (A) that affiliates of VS may receive when acting as principal in certain transactions where permitted by law or (B) that other broker-dealers may receive when acting as principal in certain transactions effected through VS and/or its affiliates acting as agent, which is typically the case for dealer market transactions (e.g., fixed income and over-the-counter equity)
- brokerage commissions or other charges resulting from transactions not effected through VS or its affiliates
- account closing/transfer costs
- processing fees or
- certain other costs or charges that may be imposed by third parties (including, among other things, odd-lot differentials, transfer taxes, foreign custody fees, exchange fees, supplemental transaction fees, regulatory fees and other fees or taxes that may be imposed pursuant to law).

For more information regarding brokerage commissions, see Item 12.

## **D. Prepayment of Fees**

VS does not offer Funds the ability to pay for fees in advance.

## **Item 6: Performance Based Fees and Side by Side Management**

Please see Item 5.A for a description of the compensation VS receives based on carried interest. The Company does not charge carried interest.

## **Item 7: Types of Clients**

For the Company, VS serves as the investment advisor to the Company which serves as a “feeder fund” that will offer one or more Series of Interests that will provide an investor with the opportunity to obtain exposure to the investment performance of between three (3) and six (6) pre-specified vehicles. VS does not provide investment advice directly to investors in the Funds. VS provides investment advisory services to each Fund pursuant to an investment advisory agreement between VS and such Fund. While VS does not provide investment advisory services directly to investors in the Funds, each Fund requires a minimum capital commitment generally ranging from \$500,000 to \$1,000,000 from each investor, except for the Company which requires a minimum initial investment of \$250,000. VS may accept a lower capital commitment or initial investment in VS’s discretion.

## **Item 8: Methods of Analysis, Investment Strategies and Risk of Loss**

### **A. Method of Analysis and Investment Strategies**

As described in Item 4B, VS provides discretionary management to the Company. Investing in securities involves risk of loss that the Company and investors in the Company should be prepared to bear. Investors in the Company should review the Confidential Private Placement Memorandum for the Company for a discussion on the material risks associated with the types of investments in which the Fund invests.

**Other Relationships with Managers.** Some managers of the Underlying Funds that VS recommends may have business relationships with VS or its affiliates. For example, a manager may use Morgan Stanley & Co. LLC (“MS&Co.”) or an affiliate as its broker or may be an investment banking client of MS&Co. or an affiliate. VS does not consider the existence nor lack of a business relationship in determining whether to recommend an Underlying Fund.

### **B. Material, Significant, or Unusual Risks Relating to Investment Strategies**

All trading by the Company is at the Company's own risk. The value of the assets in the Company is subject to a variety of factors. VS does not guarantee performance, and our past performance with respect to other funds does not predict any Fund's future performance.

For other risks relating to the particular strategy held, Investors in the Company should review the Confidential Private Placement Memorandum for a discussion on the material risks associated with the particular strategy used by VS in which the investor participates.

### C. Risks Associated with Particular Types of Securities

**Risks Relating to Alternative Investments.** As further described in the Company's Confidential Private Placement Memorandum, an investment in alternative investments can be highly illiquid, is speculative and not suitable for all investors. Investing in alternative investments is intended for experienced and sophisticated investors only who are willing to bear the high economic risks of the investment. Investors should carefully review and consider potential risks before investing. Certain of these risks may include: 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 the fund and none expected to develop; volatility of returns; restrictions on transferring interests in the 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; and advisor risk. Individual funds will have specific risks related to their investment programs that will vary from fund to fund.

Investors in the Fund should review the Confidential Private Placement Memorandum for a discussion on the material risks associated with the types of investments in which the Fund invests.

**Operations Risks.** Our operations rely on the secure processing, storage and transmission of confidential and other information in our computer systems and the systems of third parties with which we do business or that facilitate our business activities (e.g., vendors). Like other financial services firms, we and our third party providers have been and continue to be subject to unauthorized access, mishandling or misuse, computer viruses or malware, cyber attacks, denial of service attacks and other events. The increased use of smartphones, tablets and other mobile devices may also heighten these and other operational risks. Events such as these could have a security impact on our systems and jeopardize our or our clients' or counterparties' personal, confidential, proprietary or other information processed and stored in, and transmitted through, our and our third party providers' computer systems. Furthermore, such events could cause interruptions or malfunctions in our, our clients', our counterparties' or third parties' operations, which could result in reputational damage, client dissatisfaction, litigation or regulatory fines or penalties not covered by insurance maintained by us, and adversely affect our business, financial condition or results of operations.

## Item 9: Disciplinary Information

This section contains information on certain legal and disciplinary events.

In this section, "MSDW" means Morgan Stanley DW Inc., a predecessor broker-dealer of MS&Co. and registered investment adviser that was merged into MS&Co. in April 2007. MS&Co. and CGM are predecessor broker-dealer firms of Morgan Stanley Smith Barney LLC ("Morgan Stanley Wealth Management" or "MSWM").

- On June 8, 2016, the SEC entered into a settlement order with MSWM ("June 2016 Order") settling an administrative action. In this matter, the SEC found that MSWM willfully violated Rule 30(a) of Regulation S-P (17 C. F. R. § 248.30(a)) (the "Safeguards Rule"). In particular, the SEC found that, prior to December 2014, although MSWM had adopted written policies and procedures relating to the protection of customer records and information, those policies and procedures were not reasonably designed to safeguard its customers' personally identifiable information as required by the Safeguards Rule and therefore failed to prevent a MSWM employee, who was subsequently terminated, from misappropriating customer account information. In determining to accept the offer resulting in the June 2016 Order, the SEC considered the remedial efforts promptly undertaken by MSWM and MSWM's cooperation afforded to the SEC Staff. MSWM consented, without admitting or denying the findings, to a censure, to cease and desist from committing or causing future violations, and to pay a civil penalty of \$1,000,000.
- On January 13, 2017, the SEC entered into a settlement order with MSWM ("January 2017 Order") settling an administrative action. The SEC found that from 2009 through 2015, MSWM inadvertently charged advisory fees in excess of what had been disclosed to, and agreed to by, its legacy CGM clients, and, from 2002 to 2009 and from 2009 to 2016, MS&Co. and MSWM, respectively, inadvertently charged fees in excess of what was disclosed to and agreed to by their clients. The SEC also found that MSWM failed to comply with requirements regarding annual surprise custody examinations for the years 2011 and 2012, did not maintain certain client contracts, and failed to adopt and implement written compliance policies and procedures reasonably designed to prevent violations of the Investment Advisers Act of 1940 (the "Advisers Act"). The SEC found that, in relation to the foregoing, MSWM willfully violated certain sections of the Advisers Act. In determining to accept the offer resulting in the January 2017 Order, the SEC considered the remedial efforts promptly undertaken by MSWM. MSWM consented, without



admitting or denying the findings, to a censure, to cease and desist from committing or causing future violations, to certain undertakings related to fee billing, books and records and client notices and to pay a civil penalty of \$13,000,000.

- On February 14, 2017, the SEC entered into a settlement order with MSWM settling an administrative action. The SEC found that from March 2010 through July 2015, MSWM solicited approximately 600 non-discretionary advisory accounts to purchase one or more of eight single inverse exchange traded funds (“SIETFs”), without fully complying with its internal written compliance policies and procedures related to these SIETFs, which among other things required that clients execute a disclosure notice, describing the SIETF’s features and risks, prior to purchasing them, for MSWM to maintain the notice, and for subsequent related reviews to be performed. The SEC found that, despite being aware of deficiencies with its compliance and documentation of the policy requirements, MSWM did not conduct a comprehensive analysis to identify and correct past failures where the disclosure notices may not have been obtained and to prevent future violations from occurring. The SEC found that, in relation to the foregoing, MSWM willfully violated section 206(4) of the Investment Advisers Act of 1940 and Rule 206(4)-7 thereunder. MSWM admitted to certain facts and consented to a censure, to cease and desist from committing or causing future violations, and to pay a civil penalty of \$8,000,000.
- On June 29, 2018, the SEC entered into a settlement order with MSWM settling an administrative action which relates to misappropriation of client funds in four related accounts by a single former MSWM financial advisor (“FA”). The SEC found that MSWM failed to adopt and implement policies and procedures or systems reasonably designed to prevent personnel from misappropriating assets in client accounts. The SEC specifically found that, over the course of eleven months, the FA initiated unauthorized transactions in the four related client accounts in order to misappropriate client funds. The SEC found that while MSWM policies provided for certain reviews prior to issuing disbursements, such reviews were not reasonably designed to prevent FAs from misappropriating client funds. Upon being informed of the issue by representatives of the FA’s affected clients, MSWM promptly conducted an internal investigation, terminated the FA, and reported the fraud to law enforcement agencies. MSWM also fully repaid the affected clients, made significant enhancements to its policies, procedures and systems (“Enhanced MSWM Policies”) and hired additional fraud operations personnel. The SEC found that MSWM willfully violated section 206(4) of the Advisers Act and Rule 206(4)-7 thereunder. The SEC also found that MSWM failed to supervise the FA pursuant to its obligations under Section 203(e)(6) of the Advisers Act. MSWM consented, without admitting or denying the findings, to a censure; to cease and desist from committing or causing future violations; to certain undertakings, including certifications related to the implementation and adequacy of the Enhanced MSWM Policies and to pay a civil penalty of \$3,600,000.

The Form ADV Part 1 of VS contains further information about its disciplinary history, and is available on request.

## Item 10: Other Financial Industry Activities and Affiliations

Morgan Stanley Parent is a financial holding company under the Bank Holding Company Act of 1956. Morgan Stanley Parent is a corporation whose shares are publicly held and traded on the New York Stock Exchange. Prior to June 28, 2013, VS was owned by a joint venture company which was indirectly owned 65% by Morgan Stanley Parent and 35% by Citi. On June 28, 2013, Morgan Stanley Parent purchased Citi’s 35% interest in VS. Accordingly, VS is now a wholly owned indirect subsidiary of Morgan Stanley Parent.

**Activities of Morgan Stanley Parent.** Morgan Stanley Parent is a global firm engaging, through its various subsidiaries, in a wide range of financial services including:

- securities underwriting, distribution, trading, merger, acquisition, restructuring, real estate, project finance and other corporate finance advisory activities
- merchant banking and other principal investment activities
- brokerage and research services
- asset management
- trading of foreign exchange, commodities and structured financial products and
- global custody, securities clearance services, and securities lending.

### A. Broker-Dealer Registration Status

VS has a related person that is registered as a broker-dealer (MSWM).

### B. Commodity Pool Operator, or Commodity Trading Adviser Registration Status

VS has related persons that are commodity pool operators (Ceres Managed Futures LLC, Morgan Stanley AIP GP LP, Morgan Stanley Investment Management Inc., Morgan Stanley Cayman Ltd., Morgan Stanley AIP Cayman GP Ltd., and Morgan Stanley

Alternative Investment Partners LP) and commodity trading advisers (Ceres Managed Futures LLC, Morgan Stanley AIP GP LP, and Morgan Stanley Investment Management Inc.). For a full listing of affiliated investment advisers, please see the ADV Part 1.

### **C. Material Relationships or Arrangements with Industry Participants**

**Restrictions on Executing Trades.** As VS is affiliated with MSWM, MS&Co. and its affiliates, the following restrictions apply when executing client trades:

- MSWM and MS&Co. generally do not act as principal in executing trades for VS investment advisory clients (except to the extent permitted by a program and the law).
- Regulatory restrictions may limit the Fund's ability to purchase, hold or sell equity and debt issued by Morgan Stanley Parent and its affiliates.
- Certain regulatory requirements may limit the ability of VS affiliates to execute transactions through alternative execution services (e.g., electronic communication networks and crossing networks) owned by MSWM, MS&Co. or their affiliates.

These restrictions may adversely impact client account performance.

**Different Advice.** VS, and its affiliates may give different advice, take different action, receive more or less compensation, or hold or deal in different securities for any other party, client or account (including their own accounts or those of their affiliates) from the advice given, actions taken, compensation received or securities held or dealt for a VS client.

**Trading or Issuing Securities in, or Linked to Securities in, Client Accounts.** MSWM and its affiliates may provide bids and offers, and may act as principal market maker, in respect of the same securities held in client accounts. VS, its affiliates and employees may hold a position (long or short) in the same securities held in client accounts. VS and/or its affiliates are regular issuers of traded financial instruments linked to securities that may be purchased in client accounts. From time to time, the trading of VS, a manager or their affiliates – both for their proprietary accounts and for client accounts – may be detrimental to securities held by a client and thus create a conflict of interest. VS addresses this conflict by disclosing it to clients.

**Trade Allocations.** The Company may, from time to time, compete with such other investors for access to potential Underlying Funds. VS and its affiliates will seek to fairly and equitably allocate, based on the particular facts and circumstances, such investment opportunities between or among the Fund(s) and its affiliates and other proprietary investment accounts. However, such allocation will not necessarily be made pro rata based on available assets. There can be no assurance that a particular investment opportunity which comes to the attention of VS's affiliates will be referred to VS and the Company. In addition, affiliates of VS may participate in additional excess investment opportunities offered by the Underlying Funds. VS believes that it may not be advisable to dispose of interests in the Underlying Funds, securities received in an in kind distribution from an Underlying Fund or securities purchased in these additional opportunities in "lock step," given that the Fund, such affiliate and such affiliate's clients may have differing investment objectives, liquidity requirements and regulatory constraints. To the extent that any dispositions are not made in lock step, they will be made under principles designed to avoid potential or actual conflicts of interest.

In addition, members of the Investment Committee, and other employees of VS and its affiliates may invest directly in the Underlying Funds.

VS and its affiliates have adopted policies and procedures imposing certain conditions and restrictions on transactions for accounts of employees. Such policies and procedures are designed to prevent, among other things, any improper or abusive conduct when potential conflicts of interest may exist with respect to clients, including the Company.

**Services Provided to Other Clients.** VS and its affiliates provide a variety of services (including research, brokerage, asset management, trading, lending and investment banking services) for each other and for various clients, including issuers of securities that VS may recommend for purchase or sale by clients or are otherwise held in client accounts. VS, and its affiliates receive compensation and fees in connection with these services. VS believes that the nature and range of clients to which such services are rendered is such that it would be inadvisable to exclude categorically all of these companies from an account. Accordingly, it is likely that securities in an account will include some of the securities of companies for which VS, its affiliates, investment managers and their affiliates or an affiliate performs investment banking or other services.

**Restrictions on Securities Transactions.** There may be periods during which VS may not be permitted to initiate or recommend certain types of transactions in the securities of issuers for which MSWM or one of its affiliates is performing broker-dealer or investment banking services or have confidential or material non-public information. Furthermore, in certain investment advisory programs, VS may be compelled to forgo trading in, or providing advice regarding, Morgan Stanley Parent securities, and in certain related securities. These restrictions may adversely impact your account performance.

VS, MSWM and their affiliates may also develop analyses and/or evaluations of securities described in this Brochure, as well as buy and sell interests in securities on behalf of its proprietary or client accounts. These analyses, evaluations and purchase and sale

activities are proprietary and confidential, and VS will not disclose them to clients. VS may not be able to act, in respect of clients' account, on any such information, analyses or evaluations.

VS and its affiliates are not obligated to effect any transaction that VS or any of its affiliates believe would violate federal or state law, or the regulations of any regulatory or self-regulatory body.

**Research Reports.** MS&Co. does business with companies covered by their respective research groups. Furthermore, MS&Co. and its affiliates, and client accounts, may hold a trading position (long or short) in the securities of companies subject to such research. Therefore, MS&Co. has a conflict of interest that could affect the objectivity of its research reports

**Certain Trading Systems.** VS may effect trades or securities lending transactions on behalf of client accounts through exchanges, electronic communication networks or other alternative trading systems ("Trading Systems"), including Trading Systems with respect to which VS or its affiliates may have a non-controlling direct or indirect ownership interest or right to appoint a board member or observer. If VS directly or indirectly effects client trades or transactions through Trading Systems in which VS or its affiliates have an ownership interest, these affiliates may receive an indirect economic benefit based on their ownership interest. In addition, subject at all times to its obligations to obtain best execution for its customers' orders, it is contemplated that MSWM will route certain customer order flow to its affiliates. Currently, affiliates of VS own equity interests (or interests convertible into equity) in certain Trading Systems or their parent companies, including BIDS Holdings LP and BIDS Holdings GP LLC (commonly known as "BIDS"); CHX Holdings Inc.; CHI-X Global Holdings LLC; National Stock Exchange of India; Miami International Holdings Inc.; Equilend Euroclear PLC; LCH.Clearnet Group Ltd.; Turquoise Global Holdings Ltd.; CJS The Moscow Interbank Currency Exchange Settlement House; CME; ICE US Holding Company, LP; OTCDeriv Limited; TradeWeb Markets LLC; TIFFE – Tokyo Financial Futures Exchange; iSWAP Limited; EOS Precious Metals Limited; CreditDeiv Limited; FXGLOBALCLEAR; The Depository Trust and Clearing Corporation; CME/CBOT/NYMEX; Dubai Mercantile Exchange; European Energy Exchange; Intercontinental Exchange; Tokyo Commodities Exchange; Bombay Stock Exchange; Japan Securities Depository Center Inc.; and Japan Securities Clearing Corporation.

The Trading Systems on which VS trades or Client accounts and in which VS or its affiliates own interests may change from time to time. You may contact VS for an up-to-date list of Trading Systems in which VS or its affiliates own interests and on which VS and/or MS&Co. trade for client accounts.

Certain Trading Systems offer cash credits for orders that provide liquidity to their books and charge explicit fees for orders that extract liquidity from their books. From time to time, the amount of credits that VS receives from one or more Trading Systems may exceed the amount that is charged. Under these limited circumstances, such payments would constitute payment for order flow.

Certain Trading Systems through which VS may directly or indirectly effect client trades execute transactions on a "blind" basis, so that a party to a transaction does not know the identity of the counterparty to the transaction. It is possible that an order for a client account that is executed through such a Trading System could be automatically matched with a counterparty that is (i) another investment advisory or brokerage client of VS or one of its affiliates or (ii) VS or one of its affiliates acting for its own proprietary accounts.

**VS Affiliate in Underwriting Syndicate; Other Relationships with Security Issuers.** If an affiliate of VS is a member of the underwriting syndicate from which a security is purchased, VS and/or its affiliates may directly or indirectly benefit from such purchase. Newly issued shares of securities purchased for a client's account normally provide for a fee, called a "reallowance fee," to be paid by the issuing corporation to the underwriters of the securities which will be deemed additional compensation to VS, if received by VS.

VS and/or its affiliates have a variety of relationships with, and provide a variety of services to, issuers of securities recommended for client accounts, including investment banking, corporate advisory, underwriting, consulting, and brokerage relationships. As a result of these relationships with an issuer, VS or its affiliates may directly or indirectly benefit from a client's purchase or sale of a security of the issuer. For example, VS or its affiliates may provide hedging services for compensation to issuers of structured investments (such as structured notes) recommended for client accounts. In such a case, VS or its affiliates could benefit if a client account purchased such an instrument, or sold such an instrument to another purchaser in lieu of selling or redeeming the instrument back to the issuer, as such transactions could result in the issuer of the instrument continuing to pay VS or its affiliates fees or other compensation for the hedging services related to such instrument. Similarly, if the hedging service with respect to such an instrument is not profitable for VS or its affiliates, VS or its affiliates may benefit if VS's client accounts holding such instruments sold or redeemed them back to the issuer. VS addresses these conflicts by disclosing them to clients.

**Other Business With Certain Firms.** Certain investment management firms (which may include Managers) do other business with MSWM or its affiliates.

**Related Investment Advisors and Other Service Providers.** VS has related persons that are registered investment advisers in various investment advisory programs (including Morgan Stanley Investment Management Inc., Morgan Stanley Investment Management

Limited and Consulting Group Advisory Services LLC). If the Fund invests its assets and uses an affiliated firm to manage its account, VS and its affiliates earn more money than if the Fund uses an unaffiliated firm.

Morgan Stanley Investment Management Inc. serves in various advisory, management, and administrative capacities to open-end and closed-end investment companies and other portfolios (some of which are listed on the NYSE). Morgan Stanley Services Company Inc., its wholly owned subsidiary, provides limited transfer agency services to certain open-end investment companies.

Morgan Stanley Distribution Inc. serves as distributor for these open-end investment companies, and has entered into selected dealer agreements with MSWM and affiliates. Morgan Stanley Distribution Inc. also may enter into selected dealer agreements with other dealers. Under many of these agreements, MSWM and affiliates, and other selected dealers, are compensated for sale of fund shares to clients on a brokerage basis, and for shareholder servicing (including pursuant to plans of distribution adopted by the investment companies pursuant to Rule 12b-1 under the Investment Company Act of 1940).

Related persons of VS act as a general partner, administrative agent or special limited partner of a limited partnership or managing member or special member of a limited liability company to which such related persons serve as adviser or sub-adviser and in which clients have been solicited in a brokerage or advisory capacity to invest. In some cases, the general partner of a limited partnership is entitled to receive an incentive allocation from a partnership.

As noted above, the Underlying Funds in which the Funds invest are selected by VS through the Investment Committee, the members of which are drawn from certain investment resources of VS's affiliates (see response to Item 4).

VS also may share resources, employees and management, as well as investment ideas and opportunities, with affiliated investment advisers engaged in similar activities.

MSWM, which is an affiliate of VS, may serve as placement agent with respect to interests in the Funds.

As noted above, BNY may perform some of the services for the Funds described as being performed by VS in this Form ADV (see response to Item 4.B.).

#### **D. Material Conflicts of Interest**

**General.** Potential conflicts of interest are fully disclosed in each Fund's Confidential Private Offering Memorandum. Each Fund's Confidential Private Offering Memorandum provides that by acquiring an interest in the Fund, each investor will be deemed to have acknowledged the existence of any such actual and potential conflicts of interest and to have waived any claim with respect to any liability arising from the existence of any such conflict of interest.

On any issue involving actual conflicts of interest, VS will be guided by its good faith judgment as to the Fund's best interests. In the event that any matter arises that VS determines in its good faith judgment constitutes an actual conflict of interest between the Fund and VS's affiliates, under the Fund's applicable agreements VS may refer the matter to the Investment Committee for resolution. VS may also take such other actions as it may deem necessary or appropriate to ameliorate the conflict. These actions may include disposing of the security held by the Fund giving rise to the conflict of interest, or appointing an independent fiduciary.

VS's affiliates, including MS&Co. and MSWM, engage or may engage in a broad spectrum of activities, including financial advisory activities, and have extensive investment activities that are independent from, and may from time to time conflict with, those of the Funds or the Underlying Funds. In the future, there might arise instances where the interests of such affiliates conflict with the interests of the Underlying Funds and their investors, including the Fund. Certain affiliates of VS will engage in transactions with, and may provide services to, portfolio companies and potential portfolio companies of the Underlying Funds. Certain affiliates, including MS&Co., engage in activities in the normal course of their investment banking businesses which may conflict with the interests of the Fund's investors. Certain affiliates of VS may provide services to, invest in, advise, sponsor and/or act as investment manager to investment vehicles and other persons or entities (including prospective investors in the Underlying Funds) which may have similar structures and investment objectives and policies to those of the Underlying Funds and which may compete with the Underlying Funds for investment opportunities and which may co-invest with the Underlying Funds in certain transactions. In addition, certain affiliates of VS and their respective clients may themselves invest in securities that would be appropriate for the Underlying Funds and may compete with the Underlying Funds for investment opportunities.

There can be no assurance that an investment opportunity which comes to the attention of VS's affiliates will be appropriate for the Underlying Funds or will be referred to the Underlying Funds. None of such affiliates (including MS&Co. and MSWM) is obligated to refer any investment opportunity to the Underlying Funds.

**Conflicting Client Relationships.** Certain of VS's affiliates have pre-existing relationships with a significant number of corporations which may be potential portfolio companies of the Underlying Funds. VS may take into consideration these relationships in its

management of the Fund, and the Underlying Funds may also take these relationships into consideration. For instance, there may be certain investments that VS will not undertake on behalf of the Fund in view of such relationships.

**Inside Information.** From time to time, certain of VS's affiliates may come into possession of inside information concerning specific companies, although internal information barrier structures are in place to prevent such exchanges of information. Under applicable securities laws this may limit the flexibility of an Affiliated Underlying Fund to buy or sell portfolio securities issued by such company. The Fund's investment flexibility may be constrained as a consequence of VS's inability to use such information for investment purposes.

**Investment Banking Relationships.** Certain of VS's affiliates may receive investment banking fees from portfolio companies and other parties engaged in transactions in which the Underlying Funds invest. Such fees would be paid to such affiliates for providing services in connection with: (i) the acquisition, disposition or sale of companies in which the Underlying Funds invest; (ii) equity or debt financings; or (iii) other investment banking services. The arrangement between such affiliates and such parties will be made on an arm's length basis consistent with industry practices.

**Conflicting Representations of Buyers.** Certain of VS's affiliates may represent potential buyers of businesses through their merger and acquisition activities. When such an affiliate represents a buyer seeking to acquire a company, an Affiliated Underlying Fund will be limited or precluded during the pendency of such assignment from investing in or selling securities issued by such company.

**Conflicting Representations of Sellers.** In the regular course of business, certain of VS's affiliates may be engaged to act as financial adviser to a company in connection with the sale of such company, or subsidiaries or divisions thereof. The compensation provided to such affiliates for such activities will be typically based upon realized consideration and is expected to be contingent, in substantial part, upon closing. Such affiliates may be precluded from offering such company to any Affiliated Underlying Funds if the seller has required such affiliates to act exclusively on its behalf. Additionally, there may be seller assignments in which the seller permits the Underlying Funds to act as a buyer. If an Affiliated Underlying Fund were to be that buyer, certain conflicts of interest would be inherent in the situation, including those involved in negotiation of a purchase price.

**Restructuring Activities.** Certain of VS's affiliates may be engaged to act as financial adviser to financially troubled companies in connection with the restructuring of their capital structures or in connection with their bankruptcy. The compensation provided to such affiliates for such activities is generally based upon the successful completion of a restructuring, which may include raising funds for the purchase of existing securities or for an equity infusion. If any Affiliated Underlying Funds were investors in such a company, certain conflicts of interest would be inherent in the situation, including those involved in negotiation of a purchase price.

**Principal Investments.** There may be situations in which the interests of the Fund or one or more of the Underlying Funds in a portfolio company may conflict with the interests of one or more general accounts of VS's affiliates or accounts managed by such affiliates. This may occur because these accounts hold public and private debt and equity securities of a large number of issuers that may be or become portfolio companies, or from whom portfolio companies may be acquired. VS believes that the participation of its affiliates in the capital markets is a significant factor in ensuring its continuing access to Underlying Funds for investment by the Fund, and this participation is believed by VS to be, on balance, beneficial to the Funds.

## **Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

### **A. Code of Ethics**

VS is subject to the Morgan Stanley Wealth Management US Investment Advisory Code of Ethics ("Code of Ethics") that memorializes VS's fundamental duties as a fiduciary. The Code of Ethics includes standards of business conduct and incorporates a personal investments policy. Each employee receives a copy of the Code of Ethics upon hiring and annually thereafter and must sign an attestation that such employee has read and understood such Code of Ethics.

The Code of Ethics requires each employee to prioritize the interests of the client, to avoid conflicts of interest, to never abuse such employee's position of trust and responsibility and to comply with all federal securities laws. Employees are required to safeguard material non-public information in such employee's possession and are prohibited from using such information to such employee's personal benefit. Each employee must treat information belonging to clients as confidential and take care to protect such information from unauthorized access by third parties.

To avoid any potential conflict of interest involving personal transactions, VS requires members of Investment Committee and certain officers and directors to obtain pre-approval for any personal securities transactions to obtain pre-approval for any personal securities transactions. In addition, access persons (defined as employees with access to non-public information regarding VS's purchase or sale of securities) will (i) upon starting employment, provide a complete record of his or her securities holdings to the Compliance Officer and annually thereafter and (ii) provide quarterly reports of personal securities transactions within 30 days following the end

of the quarter, unless such information has been provided through other means. All access persons are required to inform their compliance officer of any violation of the Code of Ethics that comes to his or her notice.

A copy of the Code of Ethics will be provided to any client or prospective client upon request.

See Items 10.C and D. above, for a description of Conflicts of Interest.

## **B. Securities That You or a Related Person Has a Material Financial Interest**

## **C. Investing in Securities That You or a Related Person Recommends to Clients or has a Financial Interest**

Please see Item 10C for a discussion regarding the following items:

- *Trading or Issuing Securities in, or Linked to Securities in, Client Accounts.*
- *Restrictions on Securities Transactions.*
- *Research Reports.*
- *Conflicts Related to MS&Co. Research.*
- *VS Affiliates in Underwriting Syndicate.*

## **D. Conflicts of Interest Created by Contemporaneous Trading**

Please see the paragraph entitled “*Different Advice*” located in Item 10C.

# **Item 12: Brokerage Practices**

## **A. Factors in Selecting or Recommending Broker-Dealers for Client Transactions**

Funds generally invest directly in an Underlying Fund, and VS will not utilize or pay any broker or dealer in connection with an investment in an Underlying Fund, although affiliates of VS may be compensated by an Underlying Fund and the manager thereof for placing assets in the Underlying Fund and for other reasons.

VS may utilize the services of a broker or dealer, including affiliates of VS, in investing in Temporary Investments or in selling securities received from an Underlying Fund in an in kind distribution. In selecting brokers or dealers to execute transactions on behalf of the Fund, VS will consider factors it deems relevant, including, but not limited to, the breadth of the market in the security, the price of the security, the financial condition and execution capability of the broker or dealer and the reasonableness of the commission, if any, for the specific transaction and on a continuing basis.

### **1. Research and Other Soft Dollars**

VS generally is authorized, under the terms of its Investment Advisory Agreement with each Fund, to consider the brokerage and research services provided to the Fund and/or other accounts over which VS or its affiliates exercise investment discretion. However, VS does not currently have any “soft dollar” arrangements pursuant to which products, research and services are given to VS or an affiliate by brokers in return for effecting Fund transactions through such brokers.

### **2. Brokerage for Client Referrals**

VS does not consider whether it or an affiliate will receive client referrals from a broker-dealer or third party when selecting or recommending broker-dealers.

### **3. Directed Brokerage**

VS does not offer Funds directed brokerage as an option to pay their investment advisory fees.

## **B. Aggregation of Securities Transactions for Clients**

VS does not aggregate the purchase or sale of securities for the Funds.

## **Item 13: Review of Accounts**

Please see the response to Item 4 for a description of the monitoring and review of the Company's investments in Underlying Funds.

VS's client is the Company, and not the Company's underlying investors. VS will provide the Company's general partner with periodic reports concerning the Company's investment in Underlying Funds and Temporary Investments.

While the Company's underlying investors are not advisory clients of VS and will not receive reports from VS as advisory clients, such investors will be provided by the Company with annual audited financial statements of the applicable Fund and periodic investor reports.

## **Item 14: Client Referrals and Other Compensation**

MSWM, which is an affiliate of VS, may act as placement agent with respect to interests in the Funds. VS may pay a fee, out of its own resources, to placement agents responsible for subscriptions to the Funds. The placement agents will pay a portion of such placement agent fees to MSWM Financial Advisors and other placement agent representatives whose clients purchase interests in the Fund. The placement agents may engage, and pay (to the extent permitted under applicable state and federal law) subplacement or finder's fees to, other financial institutions to assist them in placing interests in the Funds.

MSWM may compensate affiliated and unrelated third parties for client referrals in accordance with Rule 206(4)-3 of the Advisers Act. If the client invests in an investment advisory program, the compensation paid to any such entity will typically consist of an ongoing cash payment stated as a percentage of MSWM's advisory fee or a one-time flat fee, but may include cash payments determined in other ways.

## **Item 15: Custody**

VS's clients are the Funds, and not the Funds' underlying investors and VS does not act as custodian to the Funds. VS will provide each Fund's general partner with periodic reports concerning the Fund's investment in Underlying Funds and Temporary Investments.

While the Funds' underlying investors are not advisory clients of VS and will not receive reports from VS as advisory clients, the Funds will provide such investors with annual audited financial statements of the applicable Fund and periodic investor reports.

## **Item 16: Investment Discretion**

VS has the authority to determine, without obtaining specific client consent, the Underlying Funds and the Temporary Investments (see response to item 1 above) in which the Fund will invest, subject in each case to the limitations and restrictions described in the Fund's Confidential Private Offering Memorandum and governing documents. The Fund may receive distributions from an Underlying Fund in kind in the form of marketable securities of portfolio companies, some of which may be restricted securities. With respect to such distributions, VS has the discretion to sell such securities and distribute the cash proceeds, distribute such securities in kind or offer the Fund's investors the option, subject to VS's consent, either to receive the securities in kind or to have the Fund sell them and distribute the cash proceeds. While VS will use reasonable efforts either to sell or to distribute marketable securities promptly, the Fund's investors will bear any associated costs or market risks during the disposition process. Affiliates of VS and other proprietary investment accounts may co-invest with the Funds in the Underlying Funds on a side-by-side basis from time to time. The Funds may, from time to time, compete with such other investors for access to potential Underlying Funds. VS and its affiliates will seek to fairly and equitably allocate, based on the particular facts and circumstances, such investment opportunities between or among the Fund(s) and its affiliates and other proprietary investment accounts. However, such allocation will not necessarily be made pro rata based on available assets. There can be no assurance that a particular investment opportunity which comes to the attention of VS's affiliates will be referred to VS and the Funds.

In the event that two or more Funds advised by VS and/or funds advised by any of its affiliates have cash available for investment at the same time and an investment opportunity arises that may be appropriate for each such fund but whose availability to VS and its affiliate is limited, VS and its affiliate will seek to fairly and equitably allocate such investment opportunity between or among such funds taking into account such factors as each fund's investment objective, industry and sector focus, size and available cash. Consideration may also be given to whether one of the advisers was primarily responsible for gaining access to the investment opportunity.

Funds generally invest directly in an Underlying Fund, and VS will not utilize or pay any broker or dealer in connection with an investment in an Underlying Fund, although affiliates of VS may be compensated by an Underlying Fund and the manager thereof for placing assets in the Underlying Fund and for other reasons.

VS may utilize the services of a broker or dealer, including affiliates of VS, in investing in Temporary Investments or in selling securities received from an Underlying Fund in an in kind distribution. In selecting brokers or dealers to execute transactions on behalf of the Fund, VS will consider factors it deems relevant, including, but not limited to, the breadth of the market in the security, the price of the security, the financial condition and execution capability of the broker or dealer and the reasonableness of the commission, if any, for the specific transaction and on a continuing basis. VS generally is authorized, under the terms of its Investment Advisory Agreement with each Fund, to consider the brokerage and research services provided to the Fund and/or other accounts over which VS or its affiliates exercise investment discretion. However, VS does not currently have any “soft dollar” arrangements pursuant to which products, research and services are given to VS or an affiliate by brokers in return for effecting Fund transactions through such brokers.

## **Item 17: Voting Client Securities**

VS does not accept proxy-voting authority on behalf of the Company and their investments in the Underlying Funds. The Company may elect VS to vote proxies or they may vote on their own and VS will send the proxy materials to the Company. The Company may contact VS with questions about a particular solicitation. Please note that VS does not provide advice or take action with respect to legal proceedings (including bankruptcies) relating to the securities in your account, except to the extent required by law.

## **Item 18: Financial Information**

VS is not required to include a balance sheet in this Brochure because VS does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance.

VS does not have any financial conditions that are reasonably likely to impair its ability to meet its contractual commitments to clients.

VS and its predecessors have not been the subject of a bankruptcy petition during the past ten years.

## **Item 19: Requirements for State-Registered Adviser**

This item is not applicable to VS.