

# **Form ADV Wrap Fee Program Brochure Morgan Stanley Smith Barney LLC**

Global Investment Solutions Program

**March 26, 2021**

2000 Westchester Avenue  
Purchase, NY 10057  
Tel: (914) 225-1000

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

**This Wrap Fee Program Brochure provides information about the qualifications and business practices of Morgan Stanley Smith Barney LLC (“MSWM”). If you have any questions about the contents of this Brochure, please contact us at (914) 225-1000. 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 MSWM 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 26, 2020. For more details on any particular matter, please see the item in this ADV Brochure referred to in the summary below.

### **Disciplinary Information**

On May 12, 2020, the SEC entered into a settlement with MSWM regarding an administrative action. In this matter, MSWM, without admitting or denying the findings and without adjudication of any issue of law or fact, consented to the entry of the order that finds that MSWM willfully violated certain sections of the Investment Advisers Act of 1940, specifically Sections 206(2) and 206(4) and Rule 206(4)-7 thereunder. (Item 9)

### **Certain MAPS Strategies Transitioned to Morgan Stanley Investment Management Inc.**

As of December 1, 2020, the portfolio managers of certain MAPS strategies employed at MSWM transitioned to and became employees of Morgan Stanley Investment Management Inc. (“MSIM”). Your agreement remains with MSWM as wrap fee program sponsor and the portfolio manager in the GIS program, and we have retained MSIM as a sub-manager and discretionary investment adviser to you. See Item 6 C, *Methods of Analysis and Investment Strategies*.

### **Retirement Accounts Invested in Affiliated Products**

Disclosures has been added to Item 4 A, under *Fees*, to describe how fees are adjusted in instances where a Retirement Account invests in an affiliated product.

## Item 3: Table of Contents

Item 1: Cover Page .....	1
Item 2: Material Changes .....	2
Item 3: Table of Contents .....	3
Item 4: Services, Fees and Compensation.....	5
A. General Description of Programs and Services .....	5
Integration of Account Opening Platforms; Account Opening Process .....	6
GIS strategies as investment products in the Select UMA ® program.....	6
Implementation of Accounts .....	6
Investment Restrictions .....	7
Trading and Execution Services .....	7
Trade Confirmations, Account Statements and Performance Reviews .....	8
Tax and Legal Considerations .....	8
Custody .....	9
Fees .....	10
B. Comparing Costs .....	12
C. Additional Fees.....	13
Cash Sweeps.....	13
Funds.....	14
D. Compensation to Financial Advisors.....	14
Item 5: Account Requirements and Types of Clients .....	14
Item 6: Portfolio Manager Selection and Evaluation .....	14
A. Selection and Review of Portfolio Managers for the Programs.....	14
Calculating Portfolio Managers' Performance .....	15
B. Conflicts of Interest .....	15
Conflicts of Interest – Related Persons of MSWM Acting as Portfolio Managers .....	15
Other Conflicts of Interest.....	15
C. Portfolio Managers .....	17
Description of Advisory Services.....	17
Tailoring Services for Individual Clients .....	17
Wrap Fee Programs .....	17
Performance-Based Fees .....	18
Methods of Analysis and Investment Strategies.....	18
Risks .....	24
Policies and Procedures Relating to Voting Client Securities .....	27
Item 7: Client Information Provided to Portfolio Managers .....	27
Item 8: Client Contact with Portfolio Managers .....	27
Item 9: Additional Information .....	27
Disciplinary Information .....	27
Other Financial Industry Activities and Affiliations .....	29
Code of Ethics .....	29

Reviewing Accounts .....	30
Client Referrals and Other Compensation.....	30
Financial Information .....	30
Exhibit: Affiliated Money Market Funds Fee Disclosure Statement and Float Disclosure Statement .....	31

## Item 4: Services, Fees and Compensation

Morgan Stanley Smith Barney LLC (“Morgan Stanley Wealth Management”, “MSWM”, “we” or “us”) is a registered investment adviser and a registered broker-dealer. MSWM is one of the largest financial services firms in the U.S. with branch offices in all 50 states and the District of Columbia.

MSWM offers clients (“client”, “you” and “your”) many different advisory programs. Many of MSWM’s advisory services are provided by its Consulting Group business unit. Other advisory services are provided by the Morgan Stanley Private Wealth Management division, which is also part of MSWM. You may obtain ADV Brochures for other MSWM investment advisory programs at [www.morganstanley.com/adv](http://www.morganstanley.com/adv) or by asking your Financial Advisor or (for Morgan Stanley Private Wealth Management clients) your Private Wealth Advisor. (Throughout the rest of this Brochure, “Financial Advisor” means either your Financial Advisor or your Private Wealth Advisor, as applicable.)

Unless you selected an external custodian, all clients’ assets are held in custody at MSWM (except for “sweep” assets, which are held in custody at the sweep banks (“Sweep Banks”) pursuant to the Bank Deposit Program). Please see Item 4.A (Services, Fees and Compensation, General Description of Programs and Services, Custody) and Item 4.C (Services, Fees and Compensation, Additional Fees, Cash Sweeps) below, for more information.

### A. General Description of Programs and Services

In the Global Investment Solutions (“GIS”) program, dedicated portfolio managers employed by MSWM (“GIS Portfolio Managers”) or affiliated or third party subadvisors (“Subadvisors”) make day-to-day investment decisions for clients’ accounts invested in various investment strategies. Also, in certain situations MSWM may provide model portfolios (“Model Portfolios”) to MSWM clients (“Model Recipients”). These Model Recipients (which are investment advisory clients of MSWM) may utilize the Model Portfolios in connection with providing services to their own clients (the “Model Recipients’ Clients”). The Model Recipients’ Clients are not investment advisory clients of MSWM.

***Effective October 1, 2015, no new GIS Retirement Accounts were opened. Beginning November 9, 2015, all new accounts using GIS Portfolio Managers or Subadvisors were opened in the Select UMA program. Most of the existing GIS accounts were migrated to the Select UMA platform on November 11, 2016.***

Several professionally managed strategies are available and are designed to fit a broad range of goals, diversification objectives and risk tolerance levels. Each team of GIS Portfolio Managers or Subadvisor focuses on particular asset classes and investment approaches. In addition to portfolio management, the GIS program provides consulting, custody, brokerage and performance reporting. Please see Item 6.C below (Portfolio Managers, Methods of Analysis and Investment Strategies), for more information.

MSWM, as investment manager for the GIS program, may change between internal management and Subadvisors, or change the Subadvisor, in any strategy and in any client account. When MSWM appoints a Subadvisor, MSWM enters into a contract with the Subadvisor and pays the Subadvisor out of the fees that the client pays to MSWM.

Investment strategies managed by a Subadvisor shall be referred to in this ADV Brochure as “Subadvised Strategies”. Currently, the equity and any balanced accounts, and some fixed income accounts in the GIS program are managed by GIS Portfolio Managers or by an affiliated Subadvisor (“Affiliated Subadvisor”), Morgan Stanley Investment Management Inc. Most fixed income accounts are managed by an unaffiliated Subadvisor (“Unaffiliated Subadvisor”).

As of March 02, 2015, fixed income strategies managed by an Unaffiliated Subadvisor described in Item 6C below (“Subadvised Fixed Income Strategies”) are closed to new investors in the GIS program. Existing investors in the GIS program may continue to invest in the Subadvised Fixed Income Strategies. New investors that wish to invest in the Subadvised Fixed Income Strategies should contact their Financial Advisor.

Client accounts are generally referred to GIS Portfolio Managers or Subadvisors through the client’s Financial Advisor. The GIS strategies may be customized for your account based on information you provide about your financial situation, investment objectives and reasonable restrictions.

Depending on their particular strategy, GIS Portfolio Managers and Subadvisors may be able to invest in a broad range of securities and financial instruments, including equity securities, warrants, debt securities, commercial paper, certificates of deposits, municipal securities, U.S. government securities, options contracts, futures contracts, private investments in private real estate related companies, and limited partnerships (including master limited partnerships and limited partnerships for whom certain MSWM affiliates act as general partner and investment adviser). GIS Portfolio Managers and Subadvisors may provide advice with respect to securities issued by foreign governments, agencies and corporations.

GIS Portfolio Managers and Subadvisors may provide advice with respect to a wide variety of instruments generally referred to as derivatives (including forward contracts on securities and foreign currencies, swaps, structured notes, caps, collars, floors, equity-linked securities and liquid yield option notes). GIS Portfolio Managers and Subadvisors may use derivatives consistent with their focus on managing the expected return and the risk exposure of the overall portfolio.

GIS Portfolio Managers and Subadvisors are limited to investing in the types of investments available in the GIS program. The types of investments available may depend, among other things, on whether your account is a PWM account (as defined below).

GIS Portfolio Managers and Subadvisors reasonably expect to provide services as a “fiduciary” (as that term is defined in Section 3(21)(A) of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”) and/or Section 4975 of the Internal Revenue Code of 1986, as amended (the “Code”)), and an “investment manager” (as that term is defined in Section 3(38) of ERISA) with respect to “Retirement Accounts,” as that

term is defined herein. In addition, GIS Portfolio Managers and Subadvisors will be Qualified Professional Asset Managers, as defined in Department of Labor Prohibited Transaction Class Exemption 84-14 with respect to Retirement Accounts. For purposes of this Brochure, the term "Retirement Account" will be used to cover (i) "employee benefit plans" (as defined under Section 3(3) of ERISA), which include pension, defined benefit, profit-sharing and welfare plans sponsored by private employers, as well as similar arrangements sponsored by governmental or other public employers; (ii) individual retirement accounts "IRAs" (as described in Section 4975 of the Code); and (iii) Coverdell Educational Savings Accounts ("CESAs").

***Effective October 1, 2015, no new GIS Retirement Accounts will be opened.***

"Global Investment Solutions" is also the name of an initiative (which is not described in this Brochure), that seeks to harness the collective resources of MSWM to deliver innovative financial products to our clients.

### **Integration of Account Opening Platforms; Account Opening Process**

Prior to May 28, 2013, we opened GIS accounts on two different operating platforms: the Core Consulting Group platform ("Core Consulting Group Platform") and the Private Wealth Management platform ("PWM Platform"). These platforms ran on different computer systems, had different custody arrangements and used different processes in some respects. On May 28, 2013, all accounts on the PWM Platform transitioned to the Core Consulting Group Platform. Now that this transition is complete, all clients' assets in GIS accounts (other than certain "sweep assets") are custodied at MSWM, unless you have selected an external custodian. Although all GIS accounts are now on the same platform, some GIS accounts are still designated as Private Wealth Management ("PWM") accounts, and different investment strategies and fee schedules are generally available to PWM accounts. PWM accounts are serviced by Private Wealth Advisors.

For a description of investment strategies offered by GIS Portfolio Managers and Subadvisors, see Item 6.C below.

To enroll in the GIS program, you (or, in certain circumstances, your Financial Advisor acting upon your instructions) must complete an investor questionnaire. You must also enter into the MSWM Single Advisory Contract ("Single Advisory Contract"), to open a GIS Account. The Single Advisory Contract governs the terms of your existing and future investment advisory accounts and relationships with MSWM. MSWM has discontinued use of the GIS client agreement for opening new accounts (but some existing GIS accounts may have been opened using the GIS client agreement). The GIS client agreement and the Single Advisory Contract shall be collectively referred to as the "Account Agreement" in this Brochure.

You may also be required to execute a brokerage account agreement. All the terms of the Account Agreement and the brokerage agreement will set forth our mutual obligations regarding the investment advisory program described in this Brochure.

The new form of Single Advisory Contract covers additional Consulting Group Programs, including GIS and Alternative Investments Advisory.

### **GIS strategies as investment products in the Select UMA ® program**

GIS strategies for which MSWM is the GIS Portfolio Manager may be offered as investment products in the MSWM Select UMA program. This is available whether you have a Financial Advisor or a Private Wealth Advisor, but is generally not available in Retirement Accounts. However, GIS equity strategies for which MSWM is the GIS Portfolio Manager and that have no Sub-Manager fee may be available in Retirement Accounts. Some GIS equity strategies are offered only in the GIS program, some strategies are offered only in the Select UMA program (see item 6.C below for these strategies), and some strategies are offered in both programs. For more information please see the Select UMA ADV Brochure, which is available at [www.morganstanley.com/adv](http://www.morganstanley.com/adv) or by asking your Financial Advisor.

Beginning on or about January 25, 2018, there are some GIS strategies that are SMA investment products that are available only in Select UMA where (a) a third party not affiliated with MSWM (the "Model Portfolio Provider") delivers a model portfolio (the "Third Party Model Portfolio") to MSWM; (b) MSWM, as investment adviser to you, serves as portfolio manager for the SMA investment product; and (c) the SMA investment product is inspired by the Third Party Model Portfolio. These SMA investment products are referred to in this ADV Brochure as "MAPS Third Party Strategies". As portfolio manager of the MAPS Third Party Strategies, MSWM may deviate from the Third Party Model Portfolios. However, MSWM generally intends to follow the Third Party Model Portfolios. The Third Party Model Portfolios will include mutual funds and ETFs that are affiliated with the Model Portfolio Provider and which pay fees and other compensation to the Model Portfolio Provider and its affiliates.

***Beginning November 9, 2015, all new accounts using GIS Portfolio Managers or Subadvisors will be opened in the Select UMA program.***

### **Implementation of Accounts**

***Accounts Implemented by the Private Portfolio Group.*** Except for accounts where the GIS Portfolio Managers provide model portfolios to clients (see below), MSWM's Private Portfolio Group ("PPG") implements:

- some accounts managed by the Applied Equity Advisors (Affiliated Subadvisor) team,
- all accounts managed by the Fundamental Equity Advisors (Affiliated Subadvisor) team,
- some accounts managed by the Consulting Group Investment Committee,
- all accounts managed by the Investment Solutions Investment Committee team and
- some GIS strategies in the MSWM Select UMA program.

For these strategies, PPG implements investment instructions from the GIS Portfolio Manager or Affiliated Sub-Advisor team concerning the securities to buy, sell or hold in client accounts

(and determines the number of such securities) according to rules and procedures agreed with the GIS Portfolio Manager team, and places trade orders with broker-dealers selected by PPG. When PPG implements an account, PPG is responsible for implementing any reasonable client restrictions (discussed below).

***Accounts Implemented by Third Party Subadvisors.*** The third party Subadvisors implement their investment decisions directly, for those accounts for which they make the day to day investment decisions.

***Accounts Implemented by (Affiliated Subadvisor) Applied Equity Advisors.*** Applied Equity Advisors (an Affiliated Subadvisor) implements its investment decisions directly for some accounts that it manages, by uploading trades to MSWM's trading systems,. When Applied Equity Advisors implements an account, Applied Equity Advisors is responsible for implementing any reasonable client restrictions (discussed below).

***Accounts Where the GIS Portfolio Managers Provide Model Portfolios to Model Recipients.*** Where GIS Portfolio Managers provide Model Portfolios to Model Recipients, the Model Recipients determine how to implement the Model Portfolios and MSWM has no responsibility for implementation.

## **Investment Restrictions**

You may request reasonable restrictions on the management of your account (may request that certain specified securities, or certain categories of securities, not be purchased for your account). This request may be made orally or in writing, but MSWM may require that any such request (or any changes to the request) be in writing. MSWM or, if applicable, the Subadvisor) will accept reasonable restrictions on specific common equity and fixed income securities, as well as on certain categories of equity securities (e.g., tobacco companies). MSWM or, if applicable, the Subadvisor) will determine in its reasonable judgment how to implement such restrictions. If you restrict a category of securities and we are implementing the account investments, we will determine in our discretion which specific securities fall within the restricted category. In doing so, we may rely on outside sources (e.g. standard industry codes, or research provided by independent service providers).

When Applied Equity Advisors (Affiliated Subadvisor) implements an account, Applied Equity Advisors is responsible for implementing any reasonable client restrictions.

Any restrictions imposed on the management of the account will not be applied to mutual fund or Exchange Traded Fund ("ETF") holdings since mutual funds and ETFs operate in accordance with the investment objectives and strategies described in their prospectuses.

In the event that a security or category of securities is restricted, the portion of the account that would have been invested in such security or category of securities may be invested in cash or cash equivalents, or in an appropriate ETF. This will impact the performance of the account.

Although we will accept reasonable restrictions as described above, we will not have any obligation to manage your account

in accordance with any investment guidelines, policy statements or other documents unless we specifically agree to do so, in writing.

The compliance of any investment with any investment restrictions shall be determined on the date of purchase only, based upon the price and characteristics of the investment on the date of purchase compared to the value of the account as of the most recently preceding valuation date.

## **Trading and Execution Services**

MSWM or a Subadvisor will effect transactions for the purchase or sale of securities and other investments in a client's GIS account. You authorize MSWM or a Subadvisor to effect securities transactions for the account through MSWM and its affiliates, subject to legal requirements of "best execution", your needs, and, if applicable, the requirements of ERISA and the rules and regulations thereunder.

MSWM or a Subadvisor has the authority to effect transactions through broker-dealers other than MSWM or its affiliates, when MSWM or a Subadvisor reasonably believes that such other broker-dealer may effect such transactions at a price, including any mark-ups, mark-downs and/or other fees and charges, that is more favorable to the account than would be the case if transacted through MSWM or its affiliates. In addition, even if the price is not more favorable, for the selection of such broker-dealer, MSWM or a Subadvisor may consider all relevant factors, including execution capabilities, speed, efficiency, confidentiality, familiarity with potential purchasers or sellers, or any other relevant matters. MSWM refers to trades on which MSWM or its affiliates is not the executing broker as "step out trades." If MSWM or a Subadvisor trades with another firm, you may be assessed other trading related costs (mark-ups, mark-downs and/or other fees and charges) by the other broker-dealer. Those costs are in addition to your program fees, will be included in the net price of the security, and will not be reflected as a separate charge on your trade confirmations or account statements. However, the Subadvisors have historically directed most, if not all, their trades to outside broker-dealers. Transactions through any other broker-dealer would normally include additional trading related costs included in the net price for trades executed away from MSWM. These additional trading costs may increase your overall costs. For information about costs incurred, please see "Additional Fees" in Item 4.C below for details, or contact your FA.

For information about costs incurred, please contact your Financial Advisor/Private Wealth Advisor (FA/PWA). If the manager you have selected or are considering is not listed in the PDF posted in the below link, or if that manager has not provided Step-Out information, please contact your FA/PWA for more information. The information provided by the managers is summarized at this link: [www.morganstanley.com/wealth/investmentsolutions/pdfs/adv/sotresponse.pdf](http://www.morganstanley.com/wealth/investmentsolutions/pdfs/adv/sotresponse.pdf)

For accounts invested in the Subadvised Fixed Income Strategies, the Subadvisor (and not MSWM) has discretion over broker-dealer selection and execution and is responsible for meeting its best execution obligations to you.



## Trade Confirmations, Account Statements and Performance Reviews

If MSWM is the custodian for your account, MSWM provides you with written confirmation of securities transactions, and account statements at least quarterly. You may waive the receipt of trade confirmations after the completion of each trade in favor of alternative methods of communication where available. Even if you have done so, we may deliver trade confirmations after the completion of each trade.

Unless you have appointed another custodian, we provide periodic reviews of your account. These reviews show how your account investments have performed, both on an absolute basis and on a relative basis compared to recognized indices (such as Standard & Poor's indices). You may access these reports through MSWM's online account services site. To enroll your account in the online account service site, please go to <https://www.morganstanleyclientserv.com>, log on and elect "Account Documents." If, however, you would like to receive these reports by mail, please call 1-888-454-3965.

Clients with PWM accounts may elect to receive written PWM performance reports on a monthly basis. These reports contain tabular and graphical displays showing how your investments have performed on an absolute basis and may include a comparison to recognized indices. You may access your PWM account supplemental reports through PWM's online account services site. Additionally, through the online account services site we also provide account performance through the most recent close of business. To enroll in the PWM online account service site, contact your Private Wealth Advisor.

## Tax and Legal Considerations

Switching from one GIS strategy to another, moving from management by a team of GIS Portfolio Managers to management by a Subadvisor (or vice versa), changing Subadvisors, or moving your assets from the GIS program to another type of account, may result in sales of securities and subject you to additional income tax obligations. Consult your independent tax or legal advisor with respect to the services described in this Brochure, as MSWM and its affiliates do not provide tax or legal advice.

Investment in Master Limited Partnership ("MLP") portfolios (including the Fundamental MLP Portfolio (as described in Item 6.C)) entails different risks, including tax risks, than is the case for other types of GIS advisory accounts. Investors in MLPs hold "units" of the MLP (as opposed to a share of corporate stock) and are technically partners in the MLP. Holders of MLP units are also exposed to the risk that they will be required to repay amounts to the MLP that are wrongfully distributed to them. Almost all MLPs have chosen to qualify for partnership tax treatment. Partnerships do not pay U.S. federal income tax at the partnership level. Rather, each partner of a partnership, in computing its U.S. federal income tax liability, must include its allocable share of the partnership's income, gains, losses, deductions, expenses and credits. A change in current tax law, or a change in the business of a given MLP, could result in an MLP being treated as a corporation for U.S. federal income tax purposes, which would result in such MLP being required to pay U.S. federal income tax on its taxable income. The classification of an MLP as a corporation for U.S. federal income tax purposes would have the effect of reducing the amount of cash available

for distribution by the MLP and could cause any such distributions received by the an investor to be taxed as dividend income. If you have any questions about the tax aspects of investing into an MLP, please discuss with your tax advisor.

Investors in MLP portfolios (including the Fundamental MLP Portfolio) will receive a Schedule K-1 for each MLP in the portfolio, so they will likely receive numerous Schedule K-1s. Investors will need to file each Schedule K-1 with their federal tax return. Also, investors in MLP portfolios may be required to file state income tax returns in states where the MLPs in the portfolio operate. Since some Schedule K-1s may not be provided until after the due date for the federal or state tax return, investors in MLP portfolios may need to obtain an extension for filing their federal or state tax returns. Please discuss with your tax advisor how an investment in MLPs will affect your tax return.

Tax laws impacting MLPs may change, and this could impact any tax benefits that may be available through investment in an MLP portfolio.

Although we intend to manage the Fundamental MLP Portfolio and other MLP portfolios so as to maximize tax-deferred income, there is no guarantee that any particular level of tax-deferred income can be achieved.

**For the reasons outlined below, where an otherwise tax exempt account (such as a Retirement Account, charitable organization, or other tax exempt or deferred account) is invested in a pass through entity (such as a MLP), the income from such entity may be subject to taxation, and additional tax filings may be required. Further, the tax advantages associated with these investments are generally not realized when held in a tax-deferred or tax exempt account. Please consult your own tax advisor, and consider any potential tax liability that may result from such an investment in an otherwise tax exempt account.**

Earnings generated inside most qualified retirement plans, including defined benefit pension plans, defined contribution plans and IRAs, are generally exempt from federal income taxes, however, certain investments made by Retirement Accounts may generate taxable income referred to as "unrelated business taxable income" ("UBTI") that is subject to taxation at trust rates. Generally, passive types of income (when not financed with debt) such as dividends, interest, annuities, royalties, most rents from real property, and gains from the sale, exchange or other disposition of property (other than inventory or property held for sale in the ordinary course of a trade or business) do not generate UBTI. Active income associated with operating a trade or business, however, may constitute UBTI to an otherwise tax exempt investor such as a Retirement Account. In addition, UBTI may also be received as part of an investor's allocable share of active income generated by a pass-through entity, such as partnerships (including limited partnerships and MLPs), certain trusts, subchapter S corporations, and limited liability companies that are treated as disregarded entities, partnerships, or subchapter S corporations for federal income tax purposes.

If more than \$1,000 of unrelated trade or business gross income is generated in a tax year, the Retirement Account's custodian or fiduciary (on behalf of the Retirement Account) must file an Exempt Organization Business Income Tax Return, Form 990-T. With respect to an individual investing through an IRA, in



calculating the threshold amount and the Retirement Account's UBTI for the year, each IRA is generally treated as a separate taxpayer, even if the same individual is the holder of multiple IRAs.

The passive activity loss limitation rules also apply for purposes of calculating a Retirement Account's UBTI, potentially limiting the amount of losses that can be used to offset the Retirement Account's income from an unrelated trade or business each year. It should be noted that these rules are applied to publicly traded partnerships, such as MLPs, on an entity-by-entity basis, meaning that the passive activity losses generated by one MLP generally can only be used to offset the passive activity income (including unrelated traded or business income) from the same MLP. The passive activity losses generated by one MLP generally cannot be used to offset income from another MLP (or any other source). The disallowed losses are suspended and carried forward to be used in future years to offset income generated by that same MLP. However, once the Retirement Account disposes of its entire interest in the MLP to an unrelated party, the suspended losses can generally be used to offset any unrelated trade or business income generated inside the Retirement Account (including recapture income generated on the sale of the MLP interest, as well as income generated by other MLPs).

In calculating the tax, trust tax rates are applied to the Retirement Account's UBTI (i.e., unrelated trade or business gross income less any applicable deductions, including the \$1,000 specific deduction). In addition to the passive loss limitation rules noted above, other limitations may apply to the Retirement Account's potential tax deductions. In order to file Form 990-T, the Retirement Account is required to obtain an Employer Identification Number ("EIN") because the plan (and not the plan owner or fiduciary) owes the tax. State and local income taxes may also apply. Accordingly, Retirement Accounts (and their fiduciaries) should consult their tax and legal advisors regarding the federal, state, and local income tax implications of their investments.

Similar rules apply to other tax-exempt organizations (e.g., charitable and religious organizations), except that certain differences may apply. For instance, the UBTI of most other tax-exempt organizations is taxable at corporate rates, unless the organization is one that would be taxed as a trust if it were not tax-exempt in which case its UBTI is taxable at trust rates. Also, the passive activity loss limitation rules do not apply to all tax-exempt organizations. Tax-exempt investors should consult their tax and legal advisors regarding the federal, state, and local income tax implications of their investments.

## **Custody**

***MSWM acts as the custodian.*** Unless you instruct us otherwise, MSWM will maintain custody of all cash, securities and other assets in the account.

***MSWM does not act as the custodian.*** If you have appointed a third party custodian (the "Custodian"), the Custodian will maintain custody of the cash, securities, and other investments in the account, will receive and credit to the account all interest, dividends, and other distributions received on the assets in the account. Since your assets are not held in custody at MSWM, they will not be included under MSWM's Securities Investor

Protection Corporation ("SIPC") coverage. The rights and authority of MSWM with respect to such assets, including as to transfers of assets held with the Custodian, will be limited to those set forth in the Account Agreement, regardless of any separate agreements or arrangements you may have or enter into with such Custodian. MSWM disclaims any broader rights that may be contained in your separate agreement with the Custodian.

Except as indicated below, all other terms of your Account Agreement will apply.

***Fees, Cash Sweeps and Valuation.*** You agree to authorize and instruct the Custodian in writing to deduct the MSWM fee quarterly from your account upon receipt of an invoice from us (if applicable). If you terminate your account, you will receive a pro-rata refund of the fee already paid to us for the remainder of the billing quarter. The provisions regarding fee adjustments for contributions or withdrawals of assets during a billing quarter will not apply to your account. See Item 4A "Fees" below for details. Your Custodian will advise you of the cash sweep options, and section titled "Cash Sweeps" in Item 4C below will not apply to your account.

In computing the fee with respect to your account, we shall rely on information received from your Custodian with respect to the value of assets in the account. If any information to be provided by the Custodian is unavailable or believed to be unreliable, we will value assets in a manner we determine in good faith to reflect fair market value.

***Account Statements and Trade Confirmations.*** You should arrange with the Custodian to provide you and us with account statements at least quarterly, identifying the amount of funds and of each security in the account at the end of the reporting period and setting forth all transactions in the account during that period. MSWM will need to be notified promptly of any other changes in the account. For trades executed through MSWM, we will provide you with copies of confirmations of securities transactions, and we may provide additional periodic reports.

***Liquidations and share class conversions.*** MSWM will not liquidate any fractional share positions of equity securities, closed-end funds or ETFs created in your account. The provisions in your Account Agreement regarding MSWM converting shares of open-end mutual funds in a client's account to an advisory share class will not apply to your account.

MSWM shall have no responsibility or liability with respect to transmittal or safekeeping of the assets in the account or the acts or omissions of the Custodian with respect thereto. You shall direct the Custodian to furnish to MSWM from time to time such reports concerning assets, receipts, and disbursements with respect to the account as MSWM shall reasonably request. You may designate a replacement custodian upon written notice to us.

MSWM does not assume any responsibility for the accuracy of any reports or other information furnished or made available by you, the Custodian, or any other person or entity (including access to online systems). The Custodian will be liable to you

pursuant to the terms of its custodian agreement and any other relevant agreement that relates to Custodian's services to you.

MSWM will not be liable for (i) any failure on your part to fulfill any of your obligations under the Account Agreement, including any misrepresentation or omission with respect to arrangements you must make with, and information and instructions you must provide to, the Custodian; (ii) any failure of the Custodian to follow your or our instructions, including with respect to fee payments, any delivery or receipt securities or payment for securities required; and (iii) any failure of the Custodian to fulfill its obligations, including timely provision of any information that the Custodian is required to provide to us.

By signing the Account Agreement, you have also acknowledged to us that (i) you are authorized to retain the Custodian; (ii) you have instructed and authorized the Custodian in writing to receive and follow instructions from us with respect to the purchase and sale of securities in your account and the payment of the MSWM fee, (iii) that you have authorized and instructed the Custodian to provide us promptly with any information regarding the account that we require to perform our obligations, including pricing information for the securities in the account, and (iv) you have arranged with the Custodian to provide you and us with account statements at least quarterly, identifying the amount of funds and of each security in the account at the end of the reporting period and setting forth all transactions in the account during that period.

**Termination.** Upon termination of your Account Agreement with MSWM, you will instruct the Custodian with respect to the funds and securities held in the account. If you instruct the Custodian to liquidate any securities in the account, you may be subject to taxation on all or part of the proceeds of such liquidation. You understand that, upon termination, it is your responsibility to monitor the assets held in the account, and that we will no longer have any further obligation to act or give advice with respect to those assets.

## Fees

We charge an annual fee for our services in the GIS program ("MSWM Fee" or "Fee"), based on the assets under management in your account and payable quarterly. This Fee covers MSWM investment advisory services, custody of securities (if MSWM is the custodian), trade execution through MSWM or its affiliates, as well as compensation to any Financial Advisor. This is a wrap fee.

There is a minimum average annual MSWM Fee (calculated quarterly) for each Global Investment Solutions account that was opened after June 30, 2009. This minimum is the lesser of 2% or \$250 per year. This minimum will not apply to any account that (when added to any other Consulting Group accounts with which it is related for billing purposes) has a total of \$500,000 or more in assets as of the end of the previous billing quarter.

***Fees for GIS Accounts incepted on or before November 6, 2015, outside of the Select UMA program***

Except as stated below, the maximum annual rates for various account sizes are:

<u>Type of account</u>	<u>Rate (less than \$5 million)</u>	<u>Rate (\$5 million but less than \$10 million)</u>	<u>Rate (\$10 million or more)</u>
Equity (including MLPs)	2.85%	2.80%	2.75%
Tax-enhanced equity	2.75%	2.70%	2.70%
International, Global and Global Inflation Linked fixed income	2.75%	2.75%	2.70%
U.S. Taxable and Corporate fixed income	2.70%	2.70%	2.70%
Tax Advantaged and Crossover fixed income	2.65%	2.65%	2.65%
Liquidity management	2.55%	2.55%	2.55%

If your account meets the stated account size, the rate applies to all assets in your account. This fee consists of two components:

The first component is a management fee charged by MSWM, which pays the costs and expenses of the Consulting Group business unit, including GIS and PPG, as well as the fees that MSWM pays to any Subadvisor (as stated above, Subadvised Fixed Income Strategies are closed to new GIS investors as of March 02, 2015. Existing investors in the GIS program may continue to invest in the Subadvised Fixed Income Strategies). Those expenses may be more or less than the aggregate management fees collected. ***Effective October 1, 2015, MSWM waived the portion of the fee that covers the services of your GIS Portfolio Manager or Affiliated Subadvisor, for GIS Retirement Accounts.***

The maximum annual rates for the management fee component for various account sizes are:

<u>Type of account</u>	<u>Rate (less than \$5 million)</u>	<u>Rate (\$5 million but less than \$10 million)</u>	<u>Rate (\$10 million or more)</u>
Equity (including MLPs) <sup>1</sup>	0.35%	0.30%	0.25%
Tax-enhanced equity <sup>1</sup>	0.25%	0.20%	0.20%
International, Global and Global Inflation Linked fixed	0.25%	0.25%	0.20%

income <sup>1</sup>			
U.S. Taxable, Corporate fixed income (subadvised by Chilton)	0.20%	0.20%	0.20%
U.S. taxable fixed income (subadvised by BlackRock) <sup>1, 2</sup>	0.25%	0.25%	0.20%
Tax-Advantaged and Crossover fixed income (subadvised by Chilton)	0.15%	0.15%	0.15%
U.S. municipals (subadvised by BlackRock) <sup>1, 2</sup>	0.25%	0.25%	0.20%
Liquidity management	0.05%	0.05%	0.05%

<sup>1</sup> Based on the value when the account is opened or, if applicable, when a Subadvisor becomes responsible for managing the account.

<sup>2</sup> If you selected BlackRock Investment Management, LLC as subadvisor before June 25, 2012, the rates for U.S. municipals are 15 bps regardless of account size, and for U.S. fixed income are 20 bps regardless of account size.

If your account meets the stated account size, the rate applies to all assets in your account.

The second component of the fee covers consulting and other services provided by your Financial Advisor. The maximum rate is 2.5%. Effective on or around October 1, 2018, the maximum rate will be 2.0%. MSWM is not waiving the second component of the fee for Retirement Accounts.

**Exceptions:** The maximum annual fee rates shown below, for various levels of assets under management, apply if:

- your client agreement was created before May 16, 2011 (even if you do not sign it until after that date), your account was on the PWM Platform and you are investing in a strategy managed by Applied Equity Advisors (Affiliated Subadvisor) or a fixed income strategy managed by an Unaffiliated Subadvisor or
- after May 16, 2011, you are a PWM client who invested through the Investment Group program (the predecessor program to the GIS program) or the GIS program under the below pricing structure, and you and your Private Wealth Advisor agree that the pricing covering your existing account(s) also applies to a new account you open in the GIS program.

*U.S. Equity Including MLP) Accounts*

First \$3 million	1.50%
Next \$7 million	1.25%
Next \$10 million	1.00%
Over \$20 million	0.80%

*International EAFE or Global Equity Accounts*

First \$5 million	1.50%
-------------------	-------

Next \$10 million	1.25%
Over \$15 million	1.00%

*U.S. Taxable Fixed Income Accounts*

\$5 million	0.65%
Next \$10 million	0.60%
Next \$10 million	0.55%
Over \$25 million	0.50%

*U.S. Tax-Exempt Fixed Income Accounts*

First \$5 million	0.50%
Next \$10 million	0.45%
Next \$10 million	0.40%
Over \$25 million	0.35%

*U.S. Balanced Accounts*

First \$5 million	1.00%
Next \$5 million	0.90%
Next \$10 million	0.80%
Over \$20 million	0.75%

*U.S. Liquidity Accounts*

First \$50 million	0.20%
Over \$50 million	0.15%

*International or Global Fixed Income Accounts*

First \$5 million	0.75%
Next \$20 million	0.60%
Over \$25 million	0.50%

*International or Global Liquidity/Short Duration Accounts*

First \$50 million	0.25%
Over \$50 million	0.20%

If this exception pricing applies to your account, usually 80% of the fee you pay covers consulting and other services provided by your Financial Advisor or Private Wealth Advisor, and 20% of the fee covers the costs and expenses of the Consulting Group business unit. Your Financial Advisor or Private Wealth Advisor may make more compensation under the exception pricing structure than under the general pricing structure and therefore have an incentive to recommend that you open an account under the exception pricing structure. If a Subadvisor is appointed for your account, this exception pricing ceases to apply and the fee you pay to MSWM is instead split between the two components described above (i.e. a management fee of the amount shown in the management fee table earlier in this "Fees" section, and a component to cover the consulting and other services provided by your Financial Advisor).

***Fees for GIS Accounts incepted in the Select UMA program (all GIS Accounts will be incepted in the Select UMA program after November 6, 2015)***

The annual Select UMA SMA Sub-Manager fee for a GIS strategy that may be offered as an investment product in the Select UMA program is 0.30% to 0.35%, depending on the strategy. Notwithstanding the previous sentence, where MSWM is the GIS Portfolio Manager (and there is no Sub-manager), the annual Select UMA SMA Sub-Manager fee generally ranges from 0.00% to 0.30%. Additional fees (including additional fees payable to MSWM) apply to the Select UMA program. For more information please see the Select UMA ADV Brochure, which is available at [www.morganstanley.com/adv](http://www.morganstanley.com/adv) or by asking your Financial Advisor.

Certain mutual funds, ETFs, and closed-end funds managed by our affiliates, including but not limited to MSIM and Eaton Vance Management (“EVM”) and its investment affiliates, are available for purchase in the Select UMA program.

To the extent that such funds are offered to and purchased by Retirement Accounts, the fee on any such Retirement Account will be reduced or adjusted by the amount of the fund management fee, shareholder servicing fee and distribution fee that we, or our affiliates, may receive in connection with such Retirement Account’s investment in such affiliated fund.

For a Retirement Account in the Select UMA program invested in an investment strategy managed by an affiliate, including but not limited to MSIM and EVM and its investment affiliates, MSWM shall offset or adjust any advisory fee such affiliated manager receives or a portion of MSWM’s fee will be waived.

#### ***Additions and Withdrawals; Refund on Account Termination.***

You may make additions into the account at any time, subject to our right to terminate the account. Additions may be in cash, securities or investments of any kind, provided that we reserve the right to decline to accept particular securities into the account or impose a waiting period before certain securities may be deposited. We may accept other types of securities for deposit at our discretion. You understand that if mutual funds or exchange traded funds are transferred or journaled into the account, you will not recover the front-end sales charges previously paid and/or may be subject to a contingent deferred sales charge or a redemption or other fee based on the length of time that you have held those securities.

No Fee adjustment will be made during any billing period for withdrawals or deposits. No Fee adjustment will be made during any billing period for appreciation or depreciation in the value of Account assets during that period.

If the account is terminated by either party, you will be entitled to a prorated refund of any pre-paid fee, based on the number of days remaining in the billing quarter after the date upon which notice of termination is effective.

#### ***Valuation of Account Assets.***

In computing the value of assets in the account, securities (other than mutual funds or exchange traded funds) traded on any national securities exchange or national market system shall be valued, as of the valuation date, at the closing price and/or mean bid and ask prices of the last recorded transaction on the principal market on which they are traded. Account assets invested in funds registered as open-end mutual funds will be valued based on the fund’s net asset value calculated as of the close of business on the valuation date, per the terms of the applicable fund prospectus. We will value any other securities or investments in the account in a manner we determine in good faith to reflect fair market value. Any such valuation should not be considered a guarantee of any kind whatsoever with respect to the value of the assets in the account.

In valuing assets, we use information provided by recognized independent quotation and valuation services. We believe this information to be reliable but do not verify the accuracy of the information provided by these services. If any information

provided by these services is unavailable or is believed to be unreliable, we will value securities and investments in the account in a manner we determine in good faith to reflect fair market value. For certain securities or investments, including collateralized loan obligations, we may rely upon our affiliate, Morgan Stanley & Co. LLC (“MS&Co”) to provide a valuation.

***Fees are Negotiable.*** The overall level of fees you pay for the GIS program is negotiable, based on factors including the type and size of the account and the range of services we provide.

The fee for your account may be higher or lower than the fees that we would charge the account if you had purchased the services covered by the fees separately; may be higher or lower than the fees that we charge other clients, depending on, among other things, the extent of services provided to those clients and the cost of such services; and may be higher or lower than the cost of similar services offered through other financial firms.

***When Fees are Payable.*** The fee is payable as described in the Account Agreement and in this Brochure.

Generally, the initial Fee is due in full on the date you open your account at MSWM and is based on the market value of assets in the account on or about that date. The initial Fee payment generally covers the period from the opening date through (at your or your Financial Advisor’s election) the last business day of the applicable billing period and is prorated accordingly. Thereafter, the Fee is paid monthly in advance based on the account’s market value on the last business day of the previous billing month and is due promptly.

***ERISA Fee Disclosure for Qualified Retirement Accounts.*** In accordance with Department of Labor regulations under Section 408(b)(2) of ERISA, MSWM is required to provide certain information regarding our services and compensation to assist fiduciaries and plan sponsors of those Retirement Accounts that are subject to the requirements of ERISA in assessing the reasonableness of their plan’s contracts or arrangements with us, including the reasonableness of our compensation. This information (the services we provide as well as the fees) is provided to you at the outset of your relationship with us and is set forth in this Brochure and in your advisory contract with us (including the fee table and other exhibits), and then at least annually to the extent that there are changes to any investment-related disclosures for services provided as a fiduciary under ERISA.

## **B. Comparing Costs**

Program fees vary across different programs. You may be able to obtain similar services separately for a lower fee from MSWM or elsewhere. Several factors determine whether it would cost more or less to participate in a program than to purchase the services separately (including the size of your account, the types of investments, whether the investments involve costs in addition to the program fee, and the amount of trading in the account). In addition, you may be able to obtain certain services or gain access to particular securities for a lower fee in one program as opposed to another.

You should consider these and other differences when deciding whether to invest in an investment advisory or a brokerage account and, if applicable, which advisory programs best suit your individual needs.

## C. Additional Fees

If you open a GIS account, you pay us an asset-based fee for our services including, where applicable, custody of securities (if we are the custodian) and trade execution through MSWM or its affiliates, as well as compensation to any Financial Advisor as described above. The MSWM Fee does not cover:

- the costs of investment management fees and other expenses charged by funds (see below for more details)
- “mark-ups,” “mark-downs,” and dealer spreads that (A) we or our affiliates may receive when acting as principal in certain transactions where permitted by law or (B) other broker-dealers may receive when acting as principal in certain transactions effected through us and/or our affiliates acting as agent, which is typically the case for dealer market transactions (e.g., fixed income and over-the-counter equity)
- fees or other charges that you may incur in instances where a transaction is effected through a third party and not through us or our affiliates. Such fees or other charges will be included in the price of the security and not reflected as a separate charge on your trade confirmations or account statement
- MSWM account establishment or maintenance fees for IRAs and Versatile Investment Plans (“VIP”), which are described in the respective IRA and VIP account and fee documentation (which may change from time to time)
- 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).

## Cash Sweeps

Generally, some portion of your account will be held in cash. If MSWM acts as custodian for your account, it will effect “sweep” transactions of free credit balances in your account into interest-bearing deposit accounts (“Deposit Accounts”) established under the Bank Deposit Program (“BDP”). For most clients BDP will be the only available cash sweep investment. Generally, the rate you will earn on BDP will be lower than the rate on other cash alternatives. In limited circumstances, such as clients ineligible for BDP or where MSWM otherwise elects, MSWM may sweep some or all of your cash into money market mutual funds (each, a “Money Market Fund”). These Money Market Funds are managed by Morgan Stanley Investment Management Inc. or another MSWM affiliate.

It is important to note that free credit balances and allocations to cash including assets invested in sweep investments are included in your account’s fee calculation hereunder.

You acknowledge and agree that if you are eligible, the BDP will be your designated sweep investment. You further acknowledge and agree that the rate of return on the BDP may be higher or lower than the rate of return available on other available cash alternatives. MSWM is not responsible if the

BDP has a lower rate of return than other available cash alternatives or causes any tax or other consequences.

Clients that are considered Retirement Accounts should read the Exhibit to this Brochure (“Affiliated Money Market Funds Fee Disclosure Statement and Float Disclosure Statement”).

The custodian will effect sweep transactions only to the extent permitted by law and if you meet the sweep investment’s eligibility criteria.

For eligibility criteria and more information on cash sweeps in general, please refer to the Bank Deposit Program Disclosure Statement which is available at: [http://www.morganstanley.com/wealth-investmentstrategies/pdf/BDP\\_disclosure.pdf](http://www.morganstanley.com/wealth-investmentstrategies/pdf/BDP_disclosure.pdf)

## *Conflicts of Interest Regarding Sweep Investments.*

If BDP is your sweep investment, you should be aware that the Sweep Banks, which are affiliates of MSWM, will pay MSWM an annual account-based flat fee for the services performed by MSWM with respect to BDP. MSWM and the Sweep Banks will review such fee annually and, if applicable, mutually agree upon any changes to the fee to reflect any changes in costs incurred by MSWM. Your Financial Advisor will not receive a portion of these fees or credits. In addition, MSWM will not receive cash compensation or credits in connection with the BDP for assets in the Deposit Accounts for Retirement Accounts. Also, the affiliated Sweep Banks have the opportunity to earn income on the BDP assets through lending activity, and that income is usually significantly greater than the fees MSWM earns on affiliated Money Market Funds. Thus, MSWM has a conflict of interest in selecting or recommending BDP as the default sweep investment, rather than an eligible Money Market Fund. Further, MSWM’s affiliate, Morgan Stanley Investment Management, serves as the investment advisor to the available sweep Money Market Funds.

In addition, MSWM, the Sweep Banks and their affiliates receive other financial benefits in connection with the Bank Deposit Program. Through the Bank Deposit Program, each Sweep Bank will receive a stable, cost-effective source of funding. Each Sweep Bank intends to use deposits in the Deposit Accounts at the Sweep Bank to fund current and new businesses, including lending activities and investments. The profitability on such loans and investments is generally measured by the difference, or “spread,” between the interest rate paid on the Deposit Accounts at the Sweep Banks and other costs of maintaining the Deposit Accounts, and the interest rate and other income earned by the Sweep Banks on those loans and investments made with the funds in the Deposit Accounts. The income that a Sweep Bank will have the opportunity to earn through its lending and investing activities is expected to be greater than the fees earned by us and our affiliates from managing and distributing the Money Market Funds which may be available to you as a sweep investment.

If your sweep investment is a Money Market Fund, as available, then the account, as well as other shareholders of the Money Market Fund, will bear a proportionate share of the other expenses of the Money Market Fund in which the account’s assets are invested.

If your sweep investment is a Money Market Fund, you understand that Morgan Stanley Investment Management Inc.

(or another MSWM affiliate) will receive an investment management fee for managing the Money Market Fund and that Morgan Stanley Distributors Inc., or another one of our affiliates, may receive compensation in connection with the operation and/or sale of shares of the Money Market Fund, which may include a distribution fee pursuant to Rule 12b-1 under the Investment Company Act of 1940, to the extent permitted by applicable law.

You understand that unless you are a Retirement Account, the fee will not be reduced by the amount of the Money Market Fund management fee or any shareholder servicing and/or distribution or other fees we or our affiliates may receive in connection with the assets invested in the Money Market Fund. For additional information about the Money Market Fund and applicable fees, you should refer to each Money Market Fund's prospectus.

## Funds

If GIS Portfolio Managers or a Subadvisor invests in a collective investment vehicle such as a Money Market Fund, exchange-traded fund or closed-end fund, any such fund may pay its own separate investment advisory fees and other expenses to the fund manager or other service provider. In both cases, these fees or expenses will be in addition to the fee you pay us. (Money Market Fund fees and expenses are offset against the fee or credited to the account for Retirement Accounts investing in a Money Market Fund. See Exhibit to this Brochure for more details.)

## D. Compensation to Financial Advisors

If you invest in the GIS program, we allocate to your Financial Advisor, on an ongoing basis, part of the fees payable to us in connection with your account. The Financial Advisor may receive different compensation depending on which program and strategy you invest in, and the rate and amount of your fee.

The amount we allocate to your Financial Advisor in connection with GIS accounts may be more than if you participate in other MSWM investment advisory programs, or if you pay separately for investment advice, brokerage and other services. For example, a Financial Advisor may earn more in the GIS program than if you invest with an unaffiliated manager in another of our programs and pay the same overall client fee. ***While the component of the overall client fee allocated to your Financial Advisor is generally subject to the same maximum rates in the GIS program as in unaffiliated manager programs, the payment to unaffiliated managers is usually higher than the management fee component in GIS. Therefore, if your Financial Advisor sets his or her component of the overall client fee at the same level for GIS as for an unaffiliated manager program, your overall client fee would typically be lower in the GIS program. This is true regardless of whether your account is managed by a GIS Portfolio Manager or a Subadvisor. Therefore, if your overall client fee is the same in GIS as in the unaffiliated manager program, generally more of the overall client fee is allocated to your Financial Advisor in the GIS program than in the unaffiliated manager program.***

The compensation we pay Financial Advisors with respect to program accounts may be higher than the compensation we pay Financial Advisors with respect to transaction-based brokerage

accounts. Your Financial Advisor may therefore have a financial incentive to recommend the GIS program instead of other MSWM programs or services.

If you invest in the GIS program, your Financial Advisor may charge a fee less than the maximum fee stated above. The amount of the fee you pay is a factor we use in calculating the compensation we pay your Financial Advisor. Therefore, Financial Advisors have a financial incentive not to reduce fees.

## Item 5: Account Requirements and Types of Clients

**Account Minimums.** The account minimums are generally:

- \$100,000 for equity accounts
- U.S. fixed income accounts, U.S. municipal accounts and liquidity accounts: variable depending on the GIS Portfolio Manager or Subadvisor.

We may accept smaller accounts, or impose a higher minimum. If your account falls below the account minimum, we may require you to deposit additional cash or securities to bring your account up to the account minimum or close the account.

**Types of Clients.** Our investment advisory clients include individuals, trusts, banking or thrift institutions, pension and profit sharing plans, plan participants, other pooled investment vehicles (e.g., hedge funds), charitable organizations, corporations, other businesses, state or municipal government entities, investment clubs and other entities.

## Item 6: Portfolio Manager Selection and Evaluation

### A. Selection and Review of Portfolio Managers for the Programs

GIS Portfolio Managers are employees of MSWM (or an affiliate). Subadvisors are affiliated or third party managers. Neither the GIS Portfolio Managers nor the Subadvisors are subject to the same evaluation processes applying to third party managers in many of our other investment advisory programs.

In conducting due diligence on Subadvisors, MSWM considers factors such as personnel, investment process, business and organization characteristics, and investment performance. This due diligence may be different from that in other MSWM advisory programs.

A team of GIS Portfolio Managers or a Subadvisor must be approved by MSWM's Global Products Committee before MSWM offers the associated strategies to clients. The Global Products Committee considers the overall proposal, and operational, information technology, risk, legal, compliance and other factors.

Once a team of GIS Portfolio Managers or a Subadvisor is approved to offer strategies in the GIS program, the Global Investment Solutions Investment Risk, Control and Compliance Committee ("IRCC") or the MSWM Global Investment Manager Analysis group ("GIMA") oversees various of the team's or Subadvisor's activities, including whether it is implementing each of its strategies consistently with its stated process. GIS Portfolio Managers cannot be IRCC voting



members. If the IRCC or GIMA is not satisfied with the investment management exercised by a team or a Subadvisor, it raises its concern to GIS senior management and ultimately to the MSWM Risk Committee. Senior MSWM business executives also regularly review the GIS business. We may cease to offer strategies in the GIS program for any reason, including if the IRCC or GIMA raises significant issues that are not satisfactorily resolved or we wish to terminate a strategy for business reasons.

If you are considering investing in the GIS program, your Financial Advisor will help you identify your investment objectives, risk tolerance and investment time horizons (whether by using an investor questionnaire or otherwise). Based on your responses, your Financial Advisor will identify appropriate GIS strategies for you in which you may determine to invest all or a portion of the assets in your account. MSWM will reinvest any income from the account as soon as it reasonably practicable, in a manner determined by MSWM unless otherwise instructed by the client. Please discuss with your Financial Advisor any changes in your investment objectives, risk tolerance or investment time horizons, so that you can consider whether you should remain invested in your GIS strategy or switch to another strategy or investment product in the GIS program or in another program.

### **Calculating Portfolio Managers' Performance**

In the GIS program we may present, in reports available to clients, 10 years of performance history for each Applied Equity Advisors strategy. We calculate this performance using asset-weighted monthly performance returns for the GIS Portfolio Managers' composite data. Subadvisors may also present composite performance reports.

We do not have a third party review this composite return data. The GIS Portfolio Managers assign client accounts to performance composites. On a periodic basis, program management personnel review this data to check for consistency between accounts invested in the same strategy. Management reviews any outlier accounts in each strategy to determine the reason for the deviation from the average returns.

## **B. Conflicts of Interest**

### **Conflicts of Interest – Related Persons of MSWM Acting as Portfolio Managers**

If your account is managed by a team of GIS Portfolio Managers, the portfolio managers are employed by MSWM (or an affiliate), and hence are related persons of MSWM. In this case, MSWM retains the entire client fee you pay in the GIS program. In contrast, in other MSWM investment advisory programs in which an unaffiliated third party manager acts as your portfolio manager:

- we pay to the manager some of the fee we receive from you or
- you pay separate fees to us for our services and to the portfolio manager for its services.

If your account is managed by a Subadvisor, MSWM pays to the Subadvisor some of the fee you pay to MSWM, but generally less than MSWM pays to unaffiliated third party managers

managing similar strategies in other investment advisory programs.

For a given level of client fees covering portfolio management and other services, we (and in some cases also your Financial Advisor) earn more:

- if you invest in the GIS program than in our investment advisory programs offering unaffiliated managers or
- if you invest in a GIS strategy managed by a GIS Portfolio Management team than if you invest in a GIS strategy managed by a Subadvisor.

This creates a conflict of interest for Financial Advisors and MSWM, as there is a financial incentive to recommend the GIS program and, within the GIS program, to recommend a strategy managed by a team of GIS Portfolio Managers. We address this conflict of interest by disclosing it to you and by requiring Financial Advisors' supervisors to review your account at account-opening to ensure that it is appropriate for you in light of matters such as your investment objectives and financial circumstances.

### **Other Conflicts of Interest**

As well as the conflicts of interest arising from our employees acting as portfolio managers, we have various other conflicts of interests relating to the GIS program.

**Advisory vs. Brokerage Accounts.** MSWM and your Financial Advisor are likely to earn more compensation if you invest in the GIS program than if you open a brokerage account to buy individual securities (although, in a brokerage account, you would not receive all the benefits available to you in the GIS program). Financial Advisors and MSWM therefore have a financial incentive to recommend the GIS program. We address this conflict of interest by disclosing it to you and by requiring Financial Advisors' supervisors to review your account at account-opening to ensure that it is appropriate for you in light of matters such as your investment objectives and financial circumstances.

**Selecting Subadvisors for Fixed Income Strategies.** MSWM has appointed Subadvisors for the fixed income strategies. For U.S. municipal accounts, and U.S. fixed income accounts opened with less than \$10,000,000, MSWM pays different fees to the Subadvisor depending on which Subadvisor you choose. For the same overall client fee for such an account, MSWM (and your Financial Advisor) make more compensation if you select Chilton Investment Services, LLC (f/k/a/ Chilton Private Clients LLC) as your Subadvisor than if you select BlackRock Investment Management, LLC as your Subadvisor. Alternatively, if your Financial Advisor sets his or her component of the overall client fee at the same level for such an account regardless of which Subadvisor you select, your overall client fee would be lower if you select Chilton Investment Services, LLC as your Subadvisor. As stated in Item 4A above, as of March 02, 2015, Subadvised Fixed Income Strategies are closed to new investors in the GIS program. Existing investors in the GIS program may continue to invest in the Subadvised Strategies.

**Payments from Model Portfolio Providers.** The Model Portfolio Providers pay MSWM a support fee (the "Support Fee") with respect to the MAPS Third Party Strategies. The



Support Fee is generally \$50,000 per year per MAPS Third Party Strategy, or \$100,000 per year for a suite of related MAPS Third Party Strategies.

The Support Fee is in consideration of MSWM agreeing to allow the Model Portfolio Provider to deliver the Third Party Model Portfolio(s) to MSWM. Payment of the Support Fee does not entitle the Third Party Model Portfolio(s) or the MAPS Third Party Strategy(ies) to (a) exclusive or preferential treatment; (b) access to or participation within MSWM's distribution channels; (c) inclusion on any "Approved", "Focus" or any other designation or list; or (d) any preferential consideration in investment recommendations made to clients.

**Different Advice.** MSWM, its affiliates, Subadvisors and their 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 your account. None of MSWM, its affiliates, Subadvisors, or their affiliates have any obligation to purchase or sell, or recommend for purchase or sale, for you any securities or other investments which such parties may recommend, purchase or sell, or recommend for purchase or sale, for its or their own account, or for the account of any other client.

**Trading or Issuing Securities in, or Linked to Securities in, Client Accounts.** MSWM, its affiliates, Subadvisors and their affiliates may provide bids and offers, and may act as principal market maker, in respect of the same securities held in client accounts. MSWM, its affiliates, the managers in its programs, Subadvisors and their affiliates and employees may hold a position (long or short) in the same securities held in client accounts. MSWM 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, MSWM (or an affiliate's) or a Subadvisor's trading – both for its proprietary account and for client accounts – may be detrimental to securities held by a client and thus create a conflict of interest. We address this conflict by disclosing it to you.

**Trade Allocations.** Your GIS Portfolio Managers may aggregate the securities to be sold or purchased for more than one client to obtain favorable execution to the extent permitted by law. They will then allocate the trade in a manner that is equitable and consistent with MSWM's fiduciary duty to its clients (including pro rata allocation, random allocation or rotation allocation). Allocation methods vary depending on various factors (including the type of investment, the number of shares purchased or sold and the amount of available cash or the size of an existing position in an account). The price to each client is the average price for the aggregate order. Subadvisors may also aggregate securities, as described in their ADV brochures.

**Services Provided to Other Clients.** MSWM 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 may be recommended for purchase or sale by clients or are otherwise held in client accounts. MSWM and its affiliates receive compensation and fees in connection with these services. MSWM 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 MSWM or its affiliates perform investment banking or other services.

**Restrictions on Securities Transactions.** There may be periods during which MSWM is not 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, MSWM may be compelled to forgo trading in, or providing advice regarding, Morgan Stanley securities, and in certain related securities. These restrictions may adversely impact your account performance.

MSWM and its affiliates may also develop analyses and/or evaluations of securities sold in a program described in this Brochure, as well as buy and sell interests in securities on behalf of their proprietary or client accounts. These analyses, evaluations and purchase and sale activities are proprietary and confidential, and MSWM will not disclose them to clients. MSWM may not be able to act, in respect of clients' account, on any such information, analyses or evaluations.

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

**Research Reports.** Morgan Stanley & Co. LLC ("MS&Co.") does business with companies covered by its 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.** MSWM 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 MSWM or its affiliates may have a non-controlling direct or indirect ownership interest, or right to appoint a board member or observer. If MSWM directly or indirectly effects client trades or transactions through Trading Systems in which MSWM or its affiliates have an ownership interest, MSWM or its 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, MSWM and/or its affiliates own equity interests (or interests convertible into equity) in certain Trading Systems or their parent companies, including National Stock Exchange of India; Miami International Holdings Inc.; Equilend; MEMX Holdings LLC; Euroclear Holding SA/NV; LCH Group Holdings Limited (Clearing); ; Turquoise Global Holdings Ltd.; ICE US Holding Company, LP; LCH Clearnet Group LTD. (Clearing); OTCDeriv Limited; TIFFE – Tokyo Financial Futures Exchange; iSWAP Limited (JV with TP ICAP); EOS Precious Metals Limited; CreditDeiv Limited; FXGLOBALCLEAR; The Depository Trust and Clearing Corporation; CME/CBOT/NYMEX; Dubai Mercantile

Exchange; Intercontinental Exchange; Bombay Stock Exchange; Japan Securities Depository Center Inc.; and Japan Securities Clearing Corporation.

The Trading Systems on which MSWM trades or effects securities lending transactions for client accounts and in which MSWM or its affiliates own interests may change from time to time. You may contact your Financial Advisor for an up-to-date list of Trading Systems in which MSWM or its affiliates own interests and on which MSWM 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 MSWM and/or MS&Co. receives from one or more Trading System may exceed the amount that is charged. Under these limited circumstances, such payments would constitute payment for order flow.

Certain Trading Systems through which MSWM and/or MS&Co. 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 MSWM or one of its affiliates or (ii) MSWM or one of its affiliates acting for its own proprietary accounts.

***Payment Arrangements with Private Portfolio Group Vendor.*** PPG implements some GIS strategies as described in this Brochure. A vendor which PPG utilizes to provide trade analysis has agreed to reduce the fees it charges to PPG for this trade analysis, provided that a certain number of firms that trade with PPG also subscribe to the vendor’s services. This creates a conflict of interest for MSWM in that PPG’s fees paid to this vendor would change depending on whether PPG trades with fewer or more firms that subscribe to the vendor’s services in the future. PPG has not and will not consider this impact on the fees it pays in any way, either in determining which firms it will trade with or in continuing to contract with this vendor.

***MSWM Affiliate in Underwriting Syndicate; Other Relationships with Security Issuers.*** If an affiliate of MSWM is a member of the underwriting syndicate from which a security is purchased, we or our 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 us, if received by us.

MSWM 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, MSWM or its affiliates may directly or indirectly benefit from a client’s purchase or sale of a security of the issuer. For example, MSWM 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, MSWM 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 MSWM 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 MSWM or its affiliates, MSWM or its affiliates may benefit if MSWM’s client accounts holding such instruments sold or redeemed them back to the issuer. We address these conflicts by disclosing them to you.

***Affiliated Sweep Investments.*** MSWM has a conflict of interest in selecting or recommending BDP or Money Market Funds as the sweep investment. See Item 4.C above for more information.

***Nonpublic Information.*** In the course of investment banking or other activities, MSWM, its affiliates or agents may from time to time acquire confidential or material nonpublic information that may prevent them, for a period of time, from purchasing or selling particular securities for the account. You acknowledge and agree that MSWM, its affiliates and agents will not be free to divulge or to act upon this information with respect to their advisory or brokerage activities, including their activities with regard to the account. This may adversely impact the investment performance of the account.

***Other Investment Products Available.*** Client understands that Subadvisors may offer to the public other investment products such as mutual funds with similar investment styles and holdings as the GIS fixed income strategies. Such products may be offered at differing fees and charges that may be higher or lower than the fees imposed by MSWM for the GIS program.

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

***Block Trades.*** PPG, MSWM or a Subadvisor may direct some block trades to MSWM for execution, which blocks may include trades for other clients of MSWM and/or PPG or a Subadvisor. Although MSWM executes these block trades at no commission, MSWM may obtain a benefit from executing these block trades, as a result of the increased trading volume attributable to these blocks.

## **C. Portfolio Managers**

### **Description of Advisory Services**

See Item 4.A above for a description of the services offered in the GIS program.

### **Tailoring Services for Individual Clients**

You may ask that your GIS account be managed pursuant to a particular investment strategy offered in the GIS program, except that, as of March 02, 2015, Subadvised Fixed Income Strategies are closed to new investors in the GIS program. You may also place restrictions on your account (as discussed above in Item 4.A).

### **Wrap Fee Programs**

If a team of GIS Portfolio Managers manages your account, MSWM acts as both the wrap fee program sponsor and the portfolio manager in the GIS program, and receives all the client fees for its services provided in the GIS program. If a

Subadvisor manages your account, MSWM acts as a wrap fee sponsor and investment manager, but not as portfolio manager, and does not retain all the client fees for services provided in the GIS program.

MSWM does not act as portfolio manager in any programs which are not wrap fee programs but are otherwise similar to the GIS program.

### Performance-Based Fees

The GIS program does not have performance-based fees.

### Methods of Analysis and Investment Strategies

The following teams of GIS Portfolio Managers or Subadvisors offer the strategies listed below. Some strategies are generally only available to PWM accounts. From time to time, to accommodate client requirements, GIS Portfolio Managers or Subadvisors may invest an account in a strategy other than the strategies described below. More detailed information on each strategy is available on request.

#### Applied Equity Advisors (Affiliated Subadvisor).

- **U.S. Core Equity Strategy:** Seeks to achieve long term compounding of returns by investing primarily in mid-large capitalization equities that (i) appear attractive on a valuation basis and (ii) could demonstrate above-average appreciation potential. This is pursued through a series of quantitative models with a fundamental overlay to identify opportunities. As a majority of a portfolio's return can be defined by its common factors risks, the team believes in a top-down quantitative approach. It uses specific equity selections to maximize its desired country, style and sector distribution.
- **Global Core Equity Strategy:** Seeks to achieve long term compounding of returns by investing primarily in global, mid-large capitalization equities that (i) appear attractive on a valuation basis and (ii) could demonstrate above-average appreciation potential. This is pursued through a series of quantitative models with a fundamental overlay to identify opportunities. As a majority of a portfolio's return can be defined by its common factors risks, the team believes in a top-down quantitative approach. It uses specific equity selections to maximize its desired country, style and sector distribution.
- **Global Concentrated Equity Strategy:** Seeks to achieve long term compounding of returns by investing primarily in a limited number of global, mid-large capitalization equities that (i) appear attractive on a valuation basis and (ii) could demonstrate above-average appreciation potential. This is pursued through a series of quantitative models with a fundamental overlay to identify opportunities. As a majority of a portfolio's return can be defined by its common factors risks, the team believes in a top-down quantitative approach. It uses specific equity selections to maximize its desired country, style and sector distribution.
- **Tax Enhanced Customized Solutions Russell 1000 Portfolio:** Seeks to achieve Russell 1000 index-like returns net of fees and strives to generate active realized losses to achieve an attractive after-tax return. Portfolios hold only a representative basket, selected from the Russell

1000 Index (typically 200-300 securities), normally with an overall tracking error of less than 2% to the underlying index. Holdings are aligned closely with industry, sector, style, capitalization and other factors of the target Russell 1000 index. (The Russell 1000 Index measures the performance of the large-cap segment of the U.S. equity universe. It includes approximately 1000 of the largest securities based on a combination of their market capitalization and current index membership. The index represents approximately 92% of the U.S. market.) The team uses quantitative models to (i) identify factors that drive risks and returns for an index universe, (ii) seek to optimize portfolios based on relative risks, tax and tracking-error constraints and (iii) manage existing positions. Portfolios are generally rebalanced monthly to realize losses, when available, and realign within necessary constraints.

- **Tax Enhanced Customized Solutions Russell 3000 Portfolio:** Seeks to achieve Russell 3000 index-like returns net of fees and strives to generate active realized losses to achieve an attractive after-tax return. Portfolios hold only a representative basket, selected from the Russell 3000 Index (typically 200-300 securities), normally with an overall tracking error of less than 2% to the underlying index. Holdings are aligned closely with industry, sector, style, capitalization and other factors of the target Russell 3000 index. (The Russell 3000 Index measures the performance of the large-cap segment of the U.S. equity universe. It includes approximately 3000 of the largest securities based on a combination of their market capitalization and current index membership. The index represents approximately 98% of the U.S. market.) The team uses quantitative models to (i) identify factors that drive risks and returns for an index universe, (ii) seek to optimize portfolios based on relative risks, tax and tracking-error constraints and (iii) manage existing positions. Portfolios are generally rebalanced monthly to realize losses, when available, and realign within necessary constraints.

#### Fixed Income Strategies

Fixed income accounts are managed by an Unaffiliated Subadvisor (as described below). As of March 02, 2015, the Fixed Income Strategies described in this section are closed to new investors in the GIS program. Existing investors in Fixed Income Strategies in the GIS program may continue to invest in the Fixed Income Strategies.

#### **BlackRock Investment Management, LLC (Unaffiliated Subadvisor).**

BlackRock Investment Management, LLC or one of its affiliates ("BlackRock") is managing fixed income accounts for which clients indicated that they wanted BlackRock as the Subadvisor. BlackRock is the world's largest asset manager. BlackRock has expertise in managing the assets of high net worth individuals. BlackRock's investment philosophy is based on combining risk management with a disciplined process to focus on preservation of principal, current income, high liquidity and reduced volatility. The strategies managed by BlackRock as Subadvisor are as follows:

- **Short-Term Taxable Fixed Income Strategy:** This investment strategy seeks total return derived from coupon interest and capital appreciation. It invests primarily in government securities, investment grade corporate bonds and asset-backed securities. These portfolios are expected to have durations of one to three years. An investor selecting this strategy may risk some loss of principal.
- **Short-Term Municipal Fixed Income Strategy:** This investment strategy seeks total return derived primarily from coupon interest, and secondarily, capital appreciation. It invests in investment grade municipal securities. These portfolios are expected to have durations of one to four years. An investor selecting this strategy may risk some loss of principal.
- **Intermediate Taxable Fixed Income Strategy:** This investment strategy seeks total return derived from coupon interest and capital appreciation. It invests primarily in government securities, investment grade corporate bonds, and asset-backed and mortgage-backed securities. These portfolios are expected to have durations of two to five years. An investor selecting this strategy may risk some loss of principal.
- **Intermediate Municipal Fixed Income Strategy:** This investment strategy seeks total return derived primarily from coupon interest, and secondarily, capital appreciation. It invests in investment grade municipal securities. These portfolios are expected to have durations of four to eight years. An investor selecting this strategy may risk some loss of principal.
- **Fundamental Core Taxable Fixed Income Strategy:** This investment strategy seeks total return derived from coupon interest and capital appreciation. It invests primarily in government securities, investment grade corporate bonds, and asset-backed and mortgage-backed securities. These portfolios are expected to have durations of three to seven years. An investor selecting this strategy may risk some loss of principal.
- **Global Fixed Income Strategy:** This investment strategy seeks total return derived primarily from capital appreciation, and secondarily, coupon interest. It invests in investment grade fixed income securities of US and foreign governments. It gains currency exposure through investment in non-US dollar denominated government securities. Government securities include securities issued or guaranteed by a government or a government agency or instrumentality. Portfolios also may be invested in securities issued by certain international organizations designated or supported by governments or government agencies to promote economic reconstruction or development. Examples of these include the International Bank for Reconstruction and Development (the World Bank) and the Inter-American Development Bank. Selection of this strategy indicates a willingness to assume the additional risks involved with global investing, particularly currency fluctuations and changes in global interest rates.
- **Long-Term Municipal Fixed Income Strategy:** This investment strategy seeks total return derived primarily from coupon interest, and secondarily, capital appreciation. It invests in investment grade municipal securities. These

portfolios are expected to have durations of six to ten years. An investor selecting this strategy may risk some loss of principal.

***Chilton Investment Services, LLC (f/k/a Chilton Private Clients, LLC) (Unaffiliated Subadvisor).***

Chilton Investment Services, LLC or one of its affiliates (“Chilton”) is managing fixed income accounts for which clients indicated that they wanted Chilton as the Subadvisor. Chilton is a private, independent firm formed by Chilton Investment Company, LLC, and provides a broad spectrum of wealth management services primarily to high net worth individuals, trusts, family offices and foundations. Chilton believes in the value of extensive proprietary research to support its decision-making and portfolio construction. Chilton’s investment philosophy for the following strategies is to manage dynamic customized client portfolios on a total return basis, consistent with the risk tolerances, financial aspirations and income needs of each client. The strategies managed by Chilton as Subadvisor are as follows:

- **U.S. Taxable Strategy:** This strategy provides exposure to a range of USD-denominated fixed income instruments. The portfolio is diversified mainly across U.S. government, sovereign government, global government agencies, supranational and the global corporate sectors of the market. The portfolio managers make active decisions for this strategy based on assessing macro conditions and its internal credit analysis.
- **Corporate Bond Strategy:** This strategy provides exposure to a range of investment grade corporate debentures and other fixed income instruments denominated in USD. The portfolio managers make active decisions for this strategy based on assessing macro conditions and their internal credit analysis.
- **Tax-Advantaged and Crossover Fixed Income Strategies:** These strategies offer both state-specific and general market tax-advantaged portfolio options. The Crossover strategy combines both municipal and taxable bonds in a single portfolio.
- **Tax-Advantaged, Taxable and Crossover Liquidity Management Strategies:** These strategies provide either tax advantaged, taxable or a combination of tax-advantaged and taxable alternatives to liquidity needs with a targeted duration of three years or less.
- **International Fixed Income Strategy:** This strategy invests in non-USD denominated fixed income securities with the goal of diversifying exposure across various currencies and interest rate curves. The process is both top-down and bottom-up value driven, seeking to take advantage of global trends while using currency exposure to enhance return potential and diversification.
- **Global Fixed Income and Global Government Strategies:** These strategies invest in global fixed income securities in an effort to diversify exposure across various currencies and interest rate curves. The process is both top-down and bottom-up value driven, seeking to take advantage of global trends while using currency exposure to enhance our return potential and diversification.

- **Global Inflation-Linked Strategy:** This strategy provides exposure to fixed income instruments that offer the possibility of protection against adverse inflationary pressure.

#### **Fundamental Equity Advisors (Affiliated Subadvisor).**

- **Fundamental All-Cap Equity Portfolio:** An actively managed strategy that seeks to outperform the Russell 3000 Index with a focus on risk management and capital preservation. It is generally holds 25-60 stocks across a wide range of market capitalizations. American Depositary Receipts (ADRs), ETFs and/or closed-end funds may also be used. This portfolio may also include Master Limited Partnerships (MLPs), which are treated differently than stocks for tax purposes. The team seeks to identify undervalued equity opportunities using a rigorous fundamental approach to security selection. The team manages equity portfolios by focusing on companies possessing strong free cash flow, attractive valuations, profit margin opportunities and changing internal dynamics. Individual security selection is based on, but not limited to, a careful analysis of a company's financial flexibility, earnings quality, valuation, business model and competitive position. The team also evaluates broader industry trends, relative growth and current investor expectations, in an effort to determine a proposed investment's "margin of safety" and risk/reward profile. The team monitors risk at both the portfolio and individual security level, with a focus on bottom-up securities analysis.
- **Fundamental All-Cap Equity Portfolio ex-MLPs:** The team uses the same strategy and methods of analysis as in the Fundamental All-Cap Equity Portfolio, but does not invest in MLPs.
- **Fundamental Small/Mid-Cap Core Strategy:** This is an actively managed strategy that seeks to outperform the Russell 2500 Index with a focus on risk management. It generally holds 25-60 stocks with market capitalizations ranging from \$150 million to \$15 billion. American Depositary Receipts (ADRs), Exchange-Traded Funds (ETFs) and/or closed-end funds may also be used. The team seeks to identify undervalued equity opportunities using a rigorous fundamental approach to security selection. The team manages equity portfolios by focusing on companies possessing strong free cash flow, attractive valuations, profit margin opportunities and changing internal dynamics. Individual security selection is based on, but not limited to, a careful analysis of a company's financial flexibility, earnings quality, valuation, business model and competitive position. The team also evaluates broader industry trends, relative growth and current investor expectations, in an effort to determine a proposed investment's "margin of safety" and risk/reward profile. The team monitors risk at both the portfolio and individual security level, with a focus on bottom-up securities analysis.
- **Fundamental MLP Portfolio:** Seeks to identify undervalued equity opportunities by investing in Master Limited Partnerships (MLPs), which may include both Limited Partner and General Partner units. The objective of the portfolio is to provide investors with high current income and above-average distribution growth prospects, as

well as significant tax-deferred income, by investing in MLP securities that are concentrated in the energy and natural resources sector. Specifically, it is anticipated that the portfolio will be primarily composed of units of companies operating as MLPs, and that the portfolio will focus on MLPs that operate as "toll-collectors" in the energy and natural resources industry by generating cash flow from activities such as the transportation, gathering, processing and storage of hydrocarbons, including natural gas, crude oil and refined petroleum products. The performance benchmark for the portfolio will be the Alerian MLP Index. The Fundamental MLP Portfolio is not available to Retirement Account investors.

The Fundamental Equity Advisors team has been managing client accounts since December 2010. Before managing client assets, the team created two model portfolios (the Equity Model Portfolio, in 2002, and the Small & MidCap Equity Model Portfolio, in 2004) and maintained these models through September 2010. The strategies offered by the team in the GIS program are different from these model portfolios.

#### **Investment Solutions Investment Committee (MSWM is the GIS Portfolio Manager; there is no Subadvisor).**

- **Multi-Manager Alternatives Strategy:** This is an actively managed strategy that invests in mutual funds and ETFs that are generally registered under the Investment Company Act of 1940, as amended, that seek to pursue alternative investment strategies or returns. This Strategy's primary objective is capital appreciation, and it seeks to deliver a long term risk and return profile similar to the strategies employed by a diversified universe of hedge funds.

#### **Consulting Group Investment Committee (MSWM is the GIS Portfolio Manager; there is no Subadvisor; implemented by the Private Portfolio Group (or by any portfolio management team to whom the Consulting Group Investment Committee has delegated any or all of its portfolio management functions); available only as investment products in Select UMA).**

- Managed Advisory Portfolio Solutions: Opportunistic US Equity Strategy:** This is an actively managed US equity strategy that seeks to outperform the S&P 500 Index. The portfolio primarily invests in mid and large capitalization US equities and exchange-traded funds ("ETFs"). The product includes a core component that is implemented using individual equity securities (30-35 names) and an overlay component that is implemented using ETFs. The core component is expected to have a slight quality-bias relative to the S&P 500 over a market cycle, but will be active from a sector allocation perspective. The ETF overlay allocation will be driven by our proprietary Alpha Driver research process. This process identifies factors, styles and sectors that we expect to outperform the broad market over the next 12 months.
- Managed Advisory Portfolio Solutions: Strategic 10 Dividend Strategy** This is an actively managed strategy that seeks as its primary investment objective long-term capital appreciation. The portfolios are individually managed using a disciplined approach (the



“Discipline”) to identify and maintain a select portfolio of stocks from the 30 components of the Dow Jones Industrial Average (the “Index”). The Discipline uses dividend yield as the primary criterion for portfolio selection. Generally, the Discipline invests in the ten highest-yielding stocks in the Index. Individual accounts are invested on a daily basis (as clients select the Strategic 10 Dividend Strategy for their accounts), purchasing the ten highest-yielding stocks in the Index as of the time of the immediately previous re-balance for the Strategy (i.e., on or around the beginning of that calendar year). Accounts are generally restructured and rebalanced annually, on or around the beginning of each calendar year. Generally, a full year will elapse before the next rebalancing (to allow for long term capital gain treatment). There may be some circumstances when MSWM will deviate from the Discipline and make adjustments to the portfolios. Applicable law or regulation may prohibit MSWM from purchasing the stock of Morgan Stanley or affiliates, or securities where MSWM affiliates are performing investment banking or other services, for portfolios if such securities were to meet the selection criteria described above. In such event, MSWM may substitute one or more other stocks (for example, the 11th highest-yielding stock in the Index) for the stock(s) that it is unable to purchase, and/or increase the weightings of the remaining stocks that fit the Discipline’s selection criteria.

c. ***Managed Advisory Portfolio Solutions: US Model:***

This actively managed US equity strategy seeks to outperform the S&P 500 Index. The portfolio primarily invests in large and mid-capitalization US equities. The strategy combines growth and value style investing and is inspired by Morgan Stanley Wealth Management Global Investment Office Model Portfolio Solutions team’s research and an overlay of quantitative analysis by Morgan Stanley Wealth Management Global Investment Office strategists. That research and quantitative analysis is leveraged by the Consulting Group Investment Committee to create the portfolio. The strategy looks to identify attractively valued securities with strong long-term fundamentals.

d. ***Managed Advisory Portfolio Solutions: Dividend Equity:***

This actively managed US equity strategy seeks to outperform the NASDAQ US Dividend Achievers Select Index. The portfolio primarily invests in large and mid-capitalization US equities with an emphasis on high-quality, dividend-paying stocks have provided investors a higher total return with lower risk than the S&P 500. The strategy is inspired by Morgan Stanley Wealth Management Global Investment Office Model Portfolio Solutions team’s research and an overlay of quantitative analysis by Morgan Stanley Wealth Management Global Investment Office strategists. That research and quantitative analysis is leveraged by the Consulting Group Investment Committee to create the portfolio. The strategy looks to identify attractively valued securities with strong long-term fundamentals.

e. ***Managed Advisory Portfolio: Solutions US Long Run Value:***

This actively managed US equity strategy seeks to outperform the Russell 1000 Value Index. The portfolio primarily invests in large and mid-capitalization US equities. The strategy invests in underappreciated, out-of-favor companies trading at deeply discounted values and is inspired by Morgan Stanley Wealth Management Global Investment Office Model Portfolio Solutions team’s research and an overlay of quantitative analysis by Morgan Stanley Wealth Management Global Investment Office strategists. That research and quantitative analysis is leveraged by the Consulting Group Investment Committee to create the portfolio. The strategy looks to identify attractively valued securities with strong long-term fundamentals.

f. ***Managed Advisory Portfolio: Solutions US All Cap Growth:***

This actively managed US equity strategy seeks to outperform the Russell 1000 Growth Index. The strategy seeks to invest in large-cap, “stable growth” leaders in their business, with an additional emphasis on smaller, “emerging growth” stocks and is inspired by Morgan Stanley Wealth Management Global Investment Office Model Portfolio Solutions team’s research and an overlay of quantitative analysis by Morgan Stanley Wealth Management Global Investment Office strategists. That research and quantitative analysis is leveraged by the Consulting Group Investment Committee to create the portfolio. The strategy looks to identify attractively valued securities with strong long-term fundamentals.

g. ***Managed Advisory Portfolio Solutions: Global Equity:***

This actively managed global equity strategy seeks to outperform the MSCI All Country World Index. The portfolio primarily invests in large-cap global equities. The strategy invests in US and non-US companies to seek long-term capital appreciation and is inspired by Morgan Stanley Wealth Management Global Investment Office Model Portfolio Solutions team’s research and an overlay of quantitative analysis by Morgan Stanley Wealth Management Global Investment Office strategists. That research and quantitative analysis is leveraged by the Consulting Group Investment Committee to create the portfolio. The strategy looks to identify attractively valued securities with strong long-term fundamentals.

h. ***Managed Advisory Portfolio Solutions: Global Dividend:***

This actively managed global equity strategy seeks to outperform the MSCI All Country World Index. The portfolio primarily invests in large-cap global equities. The strategy invests in US and non-US companies to seek long-term capital appreciation with an above average dividend yield and is inspired by Morgan Stanley Wealth Management Global Investment Office Model Portfolio Solutions team’s research and an overlay of quantitative analysis by Morgan Stanley Wealth Management Global Investment Office strategists. That research and quantitative analysis is leveraged by the Consulting Group Investment Committee to create the portfolio.

The strategy looks to identify attractively valued securities with strong long-term fundamentals.

- i. **Managed Advisory Portfolio: Solutions Core Plus Fixed Income (ETFs):** This actively managed core plus fixed income strategy seeks to outperform the Barclays Aggregate Index. The portfolio primarily invests in fixed income exchange traded funds (ETFs). The strategy looks to provide exposure to US core fixed income markets as well as selective exposures to non-core sectors and is inspired by Morgan Stanley Wealth Management Global Investment Office Model Portfolio Solutions team's thought leadership. That information is leveraged by the Consulting Group Investment Committee to create the portfolio.
- j. **Managed Advisory Portfolio Solutions: International Core Equity (ETFs):** This actively managed international core equity strategy seeks to outperform the MSCI All-Country World ex-US Index over a market cycle by investing in a diversified, risk-managed basket of international developed and emerging market equity exchange-traded funds (ETFs). The portfolio leverages insights from the Global Investment Committee's (GIC) Dynamic Allocation and Tactical Equity Frameworks. Concentrating on a one- to 12-month time horizon, the strategy shifts the portfolios' equity allocation based on changing fundamental and technical conditions. The strategy adjusts the portfolio's over- and underweight exposures in line with what the Frameworks perceive as relatively bullish and bearish environments for a series of core exposures and rebalances on an every-two-months basis. That information is leveraged by the Consulting Group Investment Committee to create the portfolio.
- k. **Managed Advisory Portfolio Solutions: Global Core Equity (ETFs):** This actively managed global core equity strategy seeks to outperform the MSCI All-Country World Index over a market cycle by investing in a diversified, risk-managed basket of global developed and emerging market equity exchange-traded funds (ETFs). The portfolio leverages insights from the Global Investment Committee's (GIC) Dynamic Allocation and Tactical Equity Frameworks. Concentrating on a one- to 12-month time horizon, the strategy shifts the portfolios' equity allocation based on changing fundamental and technical conditions. The strategy adjusts the portfolio's over- and underweight exposures in line with what the Frameworks perceive as relatively bullish and bearish environments for a series of core exposures and rebalances on an every-two-months basis. That information is leveraged by the Consulting Group Investment Committee to create the portfolio.
- l. **Managed Advisory Portfolio Solutions: Impact Solutions Global Equity:** This actively managed global equity strategy seeks to outperform the MSCI All Country World Index (ACWI), through the selection of companies that are fundamentally well-positioned, exhibit positive environmental and social practices and have revenue exposure to one or more of MS&Co.'s Global Sustainability Themes. In addition, the strategy avoids companies that derive significant revenue from tobacco, weapons and/or gambling related businesses. The strategy is optimized to limit tracking error to the broad global equity MSCI ACWI Index. The strategy is inspired by Morgan Stanley Wealth Management Global Investment Office Investing with Impact team's thought leadership. That information is leveraged by the Consulting Group Investment Committee to create the portfolio.
- m. **Managed Advisory Portfolio: Solutions Impact Solutions US Equity:** This actively managed US equity strategy seeks to outperform the Russell 3000 Index, through the selection of companies that are fundamentally well-positioned, exhibit positive environmental and social practices and have revenue exposure to one or more of MS&Co.'s Global Sustainability Themes. In addition, the strategy avoids companies that derive significant revenue from tobacco, weapons and/or gambling related businesses. The strategy is optimized to limit tracking error to the broad US equity Russell 3000 Index. The strategy is inspired by Morgan Stanley Wealth Management Global Investment Office Investing with Impact team's thought leadership. That information is leveraged by the Consulting Group Investment Committee to create the portfolio.
- n. **Managed Advisory Portfolio Solutions: Multi-Asset Dynamic Allocation Portfolios:** These are actively managed portfolios that seek to outperform their blended allocation benchmarks (MSCI All-Country World Index USD-Unhedged, Net / Bloomberg Barclays U.S. Aggregate Index / FTSE U.S. Three-Month T-Bill Index) over a market cycle by investing in diversified, risk-managed baskets of global, multi-asset exchange-traded funds (ETFs). The portfolios leverage insights from the Global Investment Committee's (GIC) Dynamic Allocation Framework. Concentrating on a one- to three-month time horizon, the strategy shifts the portfolios' multi-asset allocations dynamically based on changing economic and market conditions. The strategy adjusts the portfolios' over- and underweight exposures in line with what the Framework perceives as bullish and bearish environments for global equities, fixed income, and alternatives. Portfolios are rebalanced on a monthly basis.
- o. **Managed Advisory Portfolio Solutions: US Core Equity (ETFs):** This actively managed US core equity strategy seeks to outperform the Russell 3000 Index over a market cycle by investing in a diversified, risk-managed basket of US equity exchange-traded funds (ETFs). The portfolio leverages insights from the GIC's Dynamic Allocation and Tactical Equity Frameworks. That information is leveraged by the Consulting Group Investment Committee to create the portfolio. Concentrating on a one- to 12-month time horizon, the strategy shifts the portfolios' equity allocation based on changing fundamental and technical conditions. The



strategy adjusts the portfolio's over- and underweight exposures in line with what the Frameworks perceive as relatively bullish and bearish environments for a series of core exposures and rebalances on an every-two-months basis.

- p. **Managed Advisory Portfolio Solutions: US Sector Allocation (ETFs):** This actively managed US equity strategy seeks to outperform the S&P 500 Index. The strategy gains exposure to US equity markets through exchange-traded funds (ETFs). Those ETFs selected express the sector recommendations of the MS & Co. US Equity Strategy team, headed by Morgan Stanley's Chief Investment Officer and US Equity Strategist. The portfolio strategy is inspired by Morgan Stanley Wealth Management Global Investment Office Model Portfolio Solutions team's thought leadership. That information is leveraged by the Consulting Group Investment Committee to create the portfolio.
- q. **Managed Advisory Portfolio Solutions: Short Duration Enhanced Fixed Income:** This actively managed strategy invests in mutual funds and ETFs that are generally registered under the Investment Company Act of 1940, as amended, that seek to pursue fixed income strategies or returns. The strategy's primary objective is income, and it seeks to deliver a long term risk and return profile similar to the strategies employed by a diversified universe of short duration fixed income strategies. The strategy is evaluated relative to the Bloomberg Barclays US Government/Credit 1-3 Years Index.
- r. **MAPS Third Party Strategies:** Please see the Manager Profile for each MAPS Third Party Strategy, for a Product Overview and description of the Investment Strategy of each of the MAPS Third Party Strategies. You may obtain the Manager Profiles from your Financial Advisor or by going to [www.morganstanley.com/ADV](http://www.morganstanley.com/ADV) and clicking on "Manager Profiles – Select UMA".
- s. **Managed Advisory Portfolio Solutions: US Mid Cap Equity:** This actively managed US equity strategy seeks to outperform the Russell Mid Cap Index over a market cycle. The strategy seeks to invest primarily in US-based mid-capitalization companies over a long-term horizon. The strategy is inspired by Morgan Stanley Wealth Management Global Investment Office Model Portfolio Solutions team's research and an overlay of quantitative analysis by Morgan Stanley Wealth Management Global Investment Office strategists. That research and quantitative analysis is leveraged by the Consulting Group Investment Committee to create the portfolio. The strategy looks to identify attractively valued securities with strong long-term fundamentals.

On December 1, 2020 (the "Transition Date"), the portfolio managers of the following strategies employed at MSWM transitioned to (and became employees of) MSIM, which is an affiliate of MSWM.

- a. **Managed Advisory Portfolio: Solutions Preferred Securities:** This actively managed preferred securities strategy seeks to outperform the BofA Merrill Lynch

Fixed Rate Preferred Securities Index. The portfolio invests in preferred securities to deliver income, while seeking to preserve capital. The strategy leverages the vast resources of Morgan Stanley.

- b. **Managed Advisory Portfolio Solutions: Short Term Corporate Bond:** This actively managed corporate fixed income strategy seeks to outperform the Bloomberg Barclays US 1-3 year Corporate Bond Index. The portfolio invests in traditional investment grade corporate fixed income bonds with maturities generally ranging from 1 to 3 years, while seeking to preserve capital. The strategy leverages the vast resources of Morgan Stanley.
- c. **Managed Advisory Portfolio: Solutions Intermediate Municipal:** This actively managed municipal fixed income strategy seeks to outperform the Bloomberg/Barclays Municipal Managed Money Intermediate Index. The portfolio invests in traditional investment grade municipal fixed income bonds with maturities generally ranging from 1 to 20 years to deliver primarily tax-exempt income, while seeking to preserve capital. The portfolio may invest in Variable Rate Demand Notes (VRDNs) backed by a Letter of Credit (LOC) from a bank. VRDNs are securities with long-term maturities that feature an adjustable (floating) rate coupon, a liquidity facility, a credit facility and a put feature that enables holders to put the securities back to the remarketing agent (a dealer bank) at any time for a T+5 settlement date. These portfolios may be tailored based on state of residence. The strategy leverages the vast resources of Morgan Stanley.
- d. **Managed Advisory Portfolio Solutions: Laddered Municipal Intermediate:** This actively managed municipal fixed income strategy seeks to outperform the Bloomberg/Barclays Municipal Managed Money Intermediate Index. The portfolio generally invests in traditional investment grade municipal fixed income bonds with the majority of maturities ranging from 1 to 15 years in similarly weighted maturities to deliver primarily tax-exempt income, while seeking to preserve capital. The portfolio may invest in Variable Rate Demand Notes (VRDNs) backed by a Letter of Credit (LOC) from a bank. VRDNs are securities with long-term maturities that feature an adjustable (floating) rate coupon, a liquidity facility, a credit facility and a put feature that enables holders to put the securities back to the remarketing agent (a dealer bank) at any time for a T+5 settlement date. These portfolios may be tailored based on state of residence. The strategy leverages the vast resources of Morgan Stanley.
- e. **Managed Advisory Portfolio Solutions: Short Duration Municipal Portfolio:** This actively managed Short Duration Municipal Portfolio seeks to outperform the Bloomberg/Barclays Municipal Managed Money Short Term Total Return Index. The portfolio invests in traditional investment grade tax-exempt fixed income bonds with maturities generally ranging from 1 to 5 years to deliver tax-exempt income, while seeking to

preserve capital. The portfolio may invest in Variable Rate Demand Notes (VRDNs) backed by a Letter of Credit (LOC) from a bank. VRDNs are securities with long-term maturities that feature an adjustable (floating) rate coupon, a liquidity facility, a credit facility and a put feature that enables holders to put the securities back to the remarketing agent (a dealer bank) at any time for a T+5 settlement date. These portfolios may be tailored based on state of residence. The strategy leverages the vast resources of Morgan Stanley.

f. **Managed Advisory Portfolio Solutions: Investment Grade Floating Rate Corporate Bond Fund Portfolio:**

The actively managed floating rate corporate bond strategy seeks to outperform the Bloomberg Barclays US Floating Rate <5 Years Index. The portfolio's investable universe will include investment grade corporate floating rate notes with final maturities from 1-10 years. The portfolio aims to provide income with limited interest rate duration risk. The portfolio's interest rate duration will average between .15 and .25 years. The portfolio's spread duration will average roughly 3.25 years.

g. **Managed Advisory Portfolio Solutions: Long Duration Municipal:**

This actively managed municipal fixed income strategy seeks to outperform the Bloomberg/Barclays Municipal Managed Money Long Total Return Index. The portfolio generally invests in traditional investment grade municipal fixed income bonds with maturities ranging from 1 to 45 years to deliver primarily tax-exempt income, while seeking to preserve capital. The portfolio may invest in Variable Rate Demand Notes (VRDNs) backed by a Letter of Credit (LOC) from a bank. VRDNs are securities with long-term maturities that feature an adjustable (floating) rate coupon, a liquidity facility, a credit facility and a put feature that enables holders to put the securities back to the remarketing agent (a dealer bank) at any time for a T+5 settlement date. These portfolios may be tailored based on state of residence. The strategy leverages the vast resources of Morgan Stanley.

h. **Managed Advisory Portfolio Solutions: Preferred Securities (Custom):**

This actively managed preferred securities strategy seeks to outperform the BofA Merrill Lynch Fixed Rate Preferred Securities Index. The portfolio invests in exchange listed and over the counter preferred securities to deliver income, while seeking to preserve capital. These portfolios may be tailored based on client preferences for income and tax status. The strategy leverages the vast resources of Morgan Stanley.

i. **Managed Advisory Portfolio Solutions: Contingent Convertible Bond:**

This actively managed strategy seeks to outperform its benchmark, the ICE BofAML USD Investment Grade Contingent Capital Index. The portfolio seeks income by investing in additional tier 1 capital (AT1), including contingent convertible ("CoCo") securities, as well as subordinated and senior debt. The strategy invests in over-the-counter (OTC) securities and leverages the vast resources of Morgan Stanley.

j. **Managed Advisory Portfolio Solutions: Non-Resident Client (NRC) Eligible Preferred:** This actively managed strategy seeks to outperform its blended benchmark 50% ICE BofAML Fixed Rate Preferred Securities Index / 50% ICE BofAML US All Capital Securities Index. The portfolio seeks income and preservation of capital through investing in global preferred, hybrid capital and debt securities. The portfolio may invest in exchange listed or over the counter securities and seeks to avoid securities subject to withholding tax. The strategy leverages the vast resources of Morgan Stanley.

## Risks

Investing in securities involves risk of loss that you should be prepared to bear. The value of the assets in your account is subject to a variety of factors, such as the liquidity and volatility of the securities markets. We do not guarantee performance, and past performance does not predict your account's future performance. There are material risks involved in investing in any of the above strategies, depending on the investment style, investment process, asset classes in the strategy and other factors:

- Investing in **stocks** entails the risks of market volatility. The value of all types of stocks may increase or decrease over varying time periods.
- In general, as prevailing interest rates rise, **fixed income securities** prices fall. **High yield bonds** are subject to additional risks such as increased risk of default and greater volatility because of the lower credit quality of the issues.
- An investment in an **exchange-traded fund** involves risks similar to those of investing in a broadly based portfolio of equity securities traded on an exchange in the relevant securities market, including market fluctuations caused by such factors as economic and political developments, changes in interest rates and perceived trends in stock prices. An ETF that is designed to track an index may deviate from that index to some extent. The investment return and principal value of ETF investments fluctuate, so that ETF shares, if or when sold, may be worth more or less than the original cost.
- Many **closed-end funds**, unlike open-end funds, are not continuously offered. For such funds, there is a one-time public offering and, once issued, shares of closed-end funds are sold in the open market through a stock exchange. Net asset value (NAV) is total assets less total liabilities divided by the number of shares outstanding. At the time of sale, your shares may have a market price that is above or below NAV. There is no assurance that the fund will achieve its investment objective. The fund is subject to investment risks, including possible loss of principal invested.
- Risks Relating to Money Market Funds.** An investment in a money market fund is neither insured nor guaranteed by the Federal Deposit Insurance Corporation ("FDIC") or any other government agency. Although money market funds seek to preserve the value of your investment at \$1.00 per share, there is no assurance that will occur, and it is possible to lose money if the fund value per share falls. You could

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

- **Master Limited Partnerships (“MLPs”)** are limited partnerships or limited liability companies whose interests (limited partnership or limited liability company units) are generally traded on securities exchanges like shares of common stock. Investment in MLPs entails different risks, including tax risks, than is the case for other types of investments.

Currently, most MLPs operate in the energy, natural resources or real estate sectors. Investments in such MLP interests are subject to the risks generally applicable to companies in the energy and natural resources sectors (including commodity pricing risk, supply and demand risk, depletion risk and exploration risk). The Fundamental MLP Portfolio is especially susceptible to these risk factors because it is anticipated that most or all of the portfolio securities selected will be issued by companies in the energy and natural resources sector. Depending on the ownership vehicle, MLP interests are subject to varying tax treatment. Please see “Tax and Legal Considerations” above and any mutual fund or ETF prospectus, for more information. You may obtain any mutual fund or ETF prospectus by asking your Financial Advisor.

- **Different classes of securities** have different rights as creditor if the issuer files for bankruptcy or reorganization. For example, bondholders’ rights generally are more favorable than shareholders’ rights in a bankruptcy or reorganization.
- **International securities** have 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.
- **Small 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.
- Strategies that invest a large percentage of assets in only **one industry sector (or in only a few sectors)** are more vulnerable to price fluctuation than strategies that diversify among a broad range of sectors. Industry concentration is a particular risk for the Fundamental MLP Portfolio and other MLP portfolios as it is anticipated that most or all of the

securities selected for it will be issued by companies engaged in the energy and natural resources business.

- When strategies invest in **a concentrated number of securities**, a decline in the value of these securities would cause your overall account value to decline to a greater degree than that of a less concentrated portfolio.
- A **tax enhanced strategy** may not be able to deliver realized losses because there are none to take, this would materially impact tracking error (against the benchmark index) or the tracking error would not be consistent over time. Quantitative efforts to identify and correct biases may not reduce, but may increase, tracking error.
- **Risks Relating to Mutual Funds and ETFs that Primarily Invest in Master Limited Partnerships.** In addition to the risks outlined above relating to Master Limited Partnerships, mutual funds and ETFs that primarily invest in MLPs generally accrue deferred tax liability. The fund’s deferred tax liability (if any) is reflected each day in the fund’s net asset value. As a result, the fund’s total annual operating expenses may be significantly higher than those of funds that do not primarily invest in Master Limited Partnerships. Please see the fund prospectus for additional information.
- **Mutual Funds and ETFs that pursue complex or alternative investment strategies or returns** may employ various investment strategies and techniques for both hedging and more speculative purposes such as short selling, leverage, derivatives and options, which can increase volatility and the risk of investment loss. Alternative investment strategies are not appropriate for all investors.

While mutual funds and ETFs may at times utilize non-traditional investment options and strategies, they have different characteristics than unregistered privately offered alternative investments. Because of regulatory limitations, mutual funds and ETFs that seek alternative-like investment exposure must utilize a more limited spectrum of investments. As a result, investment returns and portfolio characteristics of alternative mutual funds may vary from traditional hedge funds pursuing similar investment objectives. They are also more likely to have relatively higher correlation with traditional market returns than privately offered alternative investments. Moreover, traditional hedge funds have limited liquidity with long “lock-up periods allowing them to pursue investment strategies without having to factor in the need to meet client redemptions. On the other hand, mutual funds typically must meet daily client redemptions. This differing liquidity profile can have a material impact on the investment returns generated by a mutual fund pursuing an alternative investing strategy compared with a traditional hedge fund pursuing the same strategy.

Non-traditional investment options and strategies are often employed by a portfolio manager to further a fund’s or ETFs investment objective and to help offset market risks. However, these features may be complex, making it more difficult to understand the fund’s or ETF’s essential characteristics and risks, and how it will perform in different market environments and over various periods of time. They may also expose the fund or ETF to increased

volatility and unanticipated risks particularly when used in complex combinations and/or accompanied by the use of borrowing or “leverage”.

- ***Risks Relating to Variable Rate Demand Notes (VRDNs).*** VRDNs are subject to a variety of risks, including but not limited to: (1) Renewal Risk: The risk of the inability to obtain a appropriate liquidity bank facility at an acceptable price to replace a facility upon termination or expiration of the contract period; (2) Liquidity Risk: The risk that in the event of a failed remarketing, the bank that has agreed to provide the letter of credit fails to honor its obligation to support the VRDNs; and (3) Default Risk: VRDNs typically are not secured by the assets of the issuer or the bank but are subject to the letter of credit provider honoring its obligations. However, repayment of principal and payment of interest ultimately is dependent upon the issuer.
- ***Risks Relating to Continent Convertible Bonds (“CoCos”).*** CoCos are issued primarily by non-U.S. financial companies and have complex features and unique risk considerations that differentiate them from traditional convertible, preferred or debt securities. Depending upon the terms of the particular issue, upon the occurrence of certain triggering events the securities may be mandatorily converted into common equity of the issuer (at either a predetermined fixed rate or variable rate), or the principal of the securities may be temporarily or permanently written down. As a result, investors may lose all or part of their principal investment. The triggering events will be described in the offering documents for each particular issue. However, they generally include the issuer failing to maintain a minimum capital ratio—a subjective determination by a regulator—that triggers the conversion or the write-down; and/or there may be other circumstances adverse to the issuer. In addition, market value will be affected by many unpredictable factors, including but not limited to: the market value of the issuer’s common equity, the issuer’s creditworthiness and capital ratios, any indication that the securities are trending toward a trigger event, supply and demand for the securities, and events that affect the issuer or the financial markets generally. There may be no active secondary market for the securities, and there is no guarantee that one will develop. Payment of interest or dividends may be at the sole discretion of the issuer, including prior to the occurrence of any trigger event. In most cases, the issuer is under no obligation to accrue or pay skipped payments (i.e., payments may be noncumulative). Thus, the dividend or interest payments may be deferred or cancelled at the issuer’s discretion or upon the occurrence of certain events. The issuer may have the right to substitute or vary the terms of the securities in certain instances. The issuer may have the right, but not the obligation, to redeem all or part of the securities in its sole discretion upon the occurrence of certain events.
- ***Market Transition Away from LIBOR.*** The following applies to holders of products directly or indirectly linked to the London Interbank Offered Rate (“LIBOR”) or the Secured Overnight Financing Rate (“SOFR”) and investors that are considering purchasing such products. Depending on your current holdings and investment plans, this information may or may not be applicable to you.

In addition, the fallback provisions in your LIBOR-based products, or the absence thereof, could have an adverse effect on the value of such products as well as your investment strategy. Bond indentures and other documentation governing existing LIBOR-based products may contain LIBOR “fallback provisions”, which provide for how the applicable interest rate will be calculated if LIBOR ceases or is otherwise unavailable. Fallback provisions can materially differ across products and even within a given asset class. Furthermore, such provisions may not contemplate alternative reference rates such as SOFR (in particular in older documentation) and/or may result in increased uncertainty and change the economics of the product in the event of a permanent cessation of LIBOR. For example, the interest rate for a security may revert to the LIBOR rate of the prior interest period, which would have the effect of converting the security from a floating to a fixed rate instrument if LIBOR is no longer available. In addition, there may be a population of LIBOR-based products that cannot be amended due to an inability to obtain sufficient investor consent, such as bonds with high noteholder consent requirements, and even if consent is obtained, your interests may not be aligned with those of other holders. Clients utilizing hedging strategies may also face basis risk due to inconsistent fallback provisions in their various investments. While there are legislative initiatives currently being contemplated to address LIBOR cessation in documentation governing existing LIBOR-based products, there is no guarantee these initiatives will be successful or result in the desired outcome.

With respect to an investment in SOFR-linked products, you should understand SOFR, the terms of the particular offering and the related risks. The composition and characteristics of SOFR are not the same as LIBOR and, as a result, SOFR may not perform in the same way as LIBOR would have. Further, the SOFR-linked products that have been issued to date each apply different market conventions to calculate interest since the market for SOFR products is in its early stages. SOFR may also fail to gain market acceptance and there may be a limited secondary trading market for SOFR-linked products. Similar risks apply to the alternative rates selected by central bank committees in other jurisdictions.

Affiliates of MSWM participate on central bank committees that are selecting alternative rates and developing transition plans for trading these new rates. In addition, MSWM and its affiliates may have interests with respect to LIBOR- and SOFR-linked products that conflict with yours as an investor. As with any investment, make sure you understand the terms of any LIBOR- and SOFR-based products you hold and the terms of those that you are considering purchasing. Other products and services offered by or through MSWM or its affiliates, such as loans and mortgage products, may have different terms and conditions and may be affected by the potential replacement of LIBOR differently than LIBOR-based securities. This is a developing situation, so the above information is subject to change.

For more information on the potential replacement of LIBOR, the recommended alternative rate, SOFR, and certain considerations relating to LIBOR- and SOFR-linked products, please see [www.morganstanley.com/wm/LIBOR](http://www.morganstanley.com/wm/LIBOR).

Please also contact a member of your Morgan Stanley team for information, including if you have questions about whether you hold LIBOR-based products.

MSWM does not render advice on tax and tax accounting matters to clients. Statements relating to tax in this Brochure are not intended or written to be used, and cannot be used or relied on by any recipient, for any purpose, including the purpose of avoiding penalties that may be imposed on the taxpayer under U.S. federal tax laws. You should consult your personal tax and/or legal advisor to learn about any potential tax or other implications that may result from acting on a particular recommendation.

Neither MSWM nor its affiliates will have any responsibility for your assets not in the account or for any act done or omitted on the part of any third party.

### **Policies and Procedures Relating to Voting Client Securities**

You have the option to elect who votes proxies for your account. Unless you have expressly retained the right to vote proxies, you delegate proxy voting authority to a third party proxy voting service provider, Institutional Shareholder Services Inc. (“ISS”), which Morgan Stanley has engaged, at no cost to you, to vote proxies on your behalf. You may not delegate proxy voting authority to Morgan Stanley or any Morgan Stanley employees and we do not agree to assume any proxy voting authority from you.

If you expressly retain the right to vote proxies, we will forward to you any proxy materials that we receive for securities in your account. Neither Morgan Stanley nor your Financial Advisor will advise you on particular proxy solicitations. If ISS votes proxies for you, you cannot instruct them on how to cast any particular vote.

If you have delegated proxy voting authority to ISS, you may obtain, from your Financial Advisor, information as to how proxies were voted for your account during the prior annual period and ISS’s, relevant proxy voting policies and procedures (including a copy of their policy guidelines and vote recommendations in effect from time to time). You may change your proxy voting election at any time by contacting your Financial Advisor.

Neither MSWM nor any Subadvisor will 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.

You may obtain from your Financial Advisor, on request:

- a complete copy of MSWM’s proxy voting policies and procedures (including a copy of ISS’ policy guidelines and vote recommendations in effect from time to time) or
- information on how proxy votes have been cast for any security that you hold during the prior annual period.

We retain books and records relating to our proxy voting activities on behalf of client accounts as required by law.

## **Item 7: Client Information Provided to Portfolio Managers**

If your account is managed by the Applied Equity Advisors team but not implemented by PPG, the team receives various information about you, including your name, whether or not your account is taxable, state/country of residence and account restrictions. The team also receives information on your investment objectives, financial situation and investment history, risk tolerance and time horizon.

If your account is managed by the Applied Equity Advisors (Affiliated Subadvisor) team and implemented by PPG; or if your account is managed by the Fundamental Equity Advisors (Affiliated Subadvisor), Investment Solutions Investment Committee or Consulting Group Investment Committee teams, we give this information to PPG so that PPG can implement your account (as described in Item 4.A).

If your account is managed by a Subadvisor, we give this information to the Subadvisor in connection with the Subadvisor managing your account.

If you are a Model Recipient (to whom we provide Model Portfolios), we will give any relevant information we may collect about you to the GIS Portfolio Managers who provide the Model Portfolios to you.

Your Financial Advisor provides updated information to the PPG or the Subadvisor when needed to manage your account (e.g. changes in restrictions on the securities, or categories of securities, that your account can hold).

## **Item 8: Client Contact with Portfolio Managers**

We do not restrict you from contacting and consulting with your GIS Portfolio Managers or Subadvisor. You are free to contact and consult with them during normal business hours.

## **Item 9: Additional Information**

### **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 Citigroup Global Markets Inc. (“CGM”) are predecessor investment adviser and broker-dealer firms of MSWM. “Citi” means Citigroup Inc., a former indirect part owner of MSWM.

- On May 12, 2020, the SEC entered into a settlement order with MSWM settling an administrative action which relates to certain information provided in marketing and client communications to retail advisory clients in MSWM’s wrap fee programs with third-party managers and MSWM’s policies and procedures related to trades not executed at MSWM. In the applicable wrap fee programs, the third-party manager has the discretion to place orders for trade

execution on clients' behalf at a broker-dealer other than Morgan Stanley. MSWM permits managers to "trade away" from MSWM in this manner in order to seek best execution for trades. The SEC found that, from at least October 2012 through June 2017, MSWM provided incomplete and inaccurate information indicating that MSWM executed most client trades and that, while additional transaction-based costs were possible, clients did not actually incur them in the ordinary course. The SEC found that this information was misleading for certain retail clients because some wrap managers directed most, and sometimes all, client trades to third-party broker-dealers for execution, which resulted in certain clients paying transaction-based charges that were not visible to them. The SEC also found that, on occasion, wrap managers directed trades to MSWM-affiliated broker-dealers in which clients incurred transaction-based charges in violation of MSWM's affiliate trading policies without detection by MSWM. The SEC noted in the order that it considered certain remedial acts undertaken by MSWM in determining to accept the order, including MSWM enhancing its disclosures to clients, implementing training of financial advisors, enhancing relevant policies and procedures, and refunding clients' transaction based charges paid to Morgan Stanley affiliates. The SEC found that MSWM willfully violated certain sections of the Investment Advisers Act of 1940, specifically Sections 206(2) and 206(4) and Rule 206(4)-7 thereunder. MSWM consented, without admitting or denying the findings and without adjudication of any issue of law or fact, to a censure; to cease and desist from committing or causing future violations; and to pay a civil penalty of \$5,000,000.

- 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.

MSWM's Form ADV Part 1 contains further information about its disciplinary history, and is available on request from your Financial Advisor.

### **Other Financial Industry Activities and Affiliations**

Morgan Stanley ("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 ("NYSE"). Prior to June 28, 2013, MSWM 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 MSWM. Accordingly, MSWM 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.

**Broker-Dealer Registration.** As well as being a registered investment advisor, MSWM is registered as a broker-dealer.

**Restrictions on Executing Trades.** As MSWM is affiliated with 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 MSWM investment advisory clients (except to the extent permitted by a program and the law).
- Regulatory restrictions may limit your ability to purchase, hold or sell equity and debt issued by Morgan Stanley Parent and its affiliates in some investment advisory programs.
- Certain regulatory requirements may limit MSWM's ability 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.

See Item 6.B above for conflicts arising from our affiliation with MS&Co. and its affiliates.

### **Related Investment Advisors and Other Service Providers.**

MSWM has related persons that are the investment advisers to mutual funds in various investment advisory programs (including Morgan Stanley Investment Management Inc., Morgan Stanley Investment Management Limited, Consulting Group Advisory Services LLC as well as Eaton Vance and its investment affiliates). If you invest your assets in an affiliated mutual fund, MSWM and its affiliates earn more money than if you invest in an unaffiliated mutual fund. Generally, for Retirement Accounts, MSWM rebates or offsets fees so that MSWM complies with IRS and Department of Labor rules and regulations.

Morgan Stanley Investment Management Inc. and certain Eaton Vance investment affiliates serve 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 the 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 MSWM 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.

See Item 4.C above for a description of cash sweep investments managed or held by related persons of MSWM.

See Item 6.B above for a description of various conflicts of interest.

### **Code of Ethics**

The MSWM U.S. Investment Advisory Code of Ethics ("Code") applies to MSWM's employees, supervisors, officers and directors engaged in offering or providing investment advisory products and/or services (collectively, the "Employees"). In essence, the Code prohibits Employees from engaging in securities transactions or activities that involve a material conflict of interest, possible diversion of a corporate opportunity, or the appearance of impropriety. Employees must always place the interests of MSWM's clients above their own and must never use knowledge of client transactions acquired in the course of their work to their own advantage. Supervisors are required to use reasonable supervision to detect and prevent any violations of the Code by the individuals, branches and departments they supervise.



The Code generally operates to protect against conflicts of interest either by subjecting Employee activities to specified limitations (including pre-approval requirements) or by prohibiting certain activities. Key provisions of the Code include:

- The requirement for certain Employees, because of their potential access to non-public information, to obtain their supervisors' prior written approval or provide pre-trade notification before executing certain securities transactions for their personal securities accounts;
- Additional restrictions on personal securities transaction activities applicable to certain Employees (including Financial Advisors and other MSWM employees who act as portfolio managers in MSWM investment advisory programs);
- Requirements for certain Employees to provide initial and annual reports of holdings in their Employee securities accounts, along with quarterly transaction information in those accounts; and
- Additional requirements for pre-clearance of other activities including, but not limited to, Outside Business Activities, Gifts and Entertainment, and U.S. Political Contributions and Political Solicitation Activity.

You may obtain a copy of the Code from your Financial Advisor.

See Item 6.B above, for a description of Conflicts of Interest.

### **Reviewing Accounts**

In the strategies that PPG implements (see Item 4.A above), PPG portfolio managers and associates check accounts daily to ensure, e.g., that accounts are invested in accordance with the instructions PPG has received from the GIS Portfolio Managers.

Some accounts managed by the Applied Equity Advisors (Affiliated Subadvisor) team are implemented by PPG, so the review process described above applies. For other Applied Equity Advisor accounts, portfolio managers and/or other team members review performance of each strategy daily and performance of every account in a strategy weekly. They perform attribution analysis on individual accounts as needed.

For strategies managed by Subadvisors, portfolio managers employed by the Subadvisor regularly review accounts to ensure that they are properly invested in accordance with clients' instructions.

We will ask you at least annually if your investment objectives have changed. If your objectives change, you should discuss with your Financial Advisor whether your selected GIS Portfolio Managers are still suitable for your needs.

See Item 4.A above for a discussion of account statements and performance reports.

### **Client Referrals and Other Compensation**

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.

### **Financial Information**

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

We do not have any financial conditions that are reasonably likely to impair our ability to meet our contractual commitments to clients.

MSWM and its predecessors have not been the subject of a bankruptcy petition during the past 10 years.

## **Exhibit: Affiliated Money Market Funds Fee Disclosure Statement and Float Disclosure Statement**

### **Sweep Vehicles in Retirement Accounts**

Retirement Accounts generally effect temporary sweep transactions of new free credit balances into Deposit Accounts established under the Bank Deposit Program.

The table below describes the fees and expenses charged to assets invested in shares of the Money Market Funds in which the account invests (expressed as a percentage of each fund's average daily net assets for the stated fiscal year). Note that:

- The rate of Advisory Fee and Distribution and Service Fees (including 12b-1 fees) (whether in basis points or dollars) may not be increased without first obtaining shareholder approval.
- Expenses designated as "Other Expenses" include all expenses not otherwise disclosed in the table that were deducted from each fund's assets or charged to all shareholder accounts in the stated fiscal year (and may change from year to year).

These fees and expenses may be paid to MSWM and its affiliates for services performed. The aggregate amount of these fees is stated in the tables below. The amounts of expenses deducted from a fund's assets are shown in each fund's statement of operations in its annual report.

Morgan Stanley Investment Management (and/or its affiliates) may, from time to time, waive part or all of its advisory fee or assume or reimburse some of a fund's operating expenses. (This may be for a limited duration.) Such actions are noted in the fund's prospectus and/or statement of additional information. The table below shows the Total Annual Fund Operating Expenses (before management fee waivers and/or expense reimbursements) and the Total Annual Fund Operating Expenses After Fee Waivers and/or Expense Reimbursements.

MSWM reasonably expects to provide services as a fiduciary (as that term is defined under ERISA or the Code) with respect to Retirement Accounts. MSWM believes that investing in shares of the funds for sweep purposes may be appropriate for Retirement Accounts because using professionally managed Money Market Funds allows you to access cash on an immediate basis, while providing a rate of return on your cash positions pending investment. As is typical of such arrangements, we use only affiliated money funds for this purpose.

MSWM also believes that investing a Retirement Account's assets in the Deposit Accounts may also be appropriate. Terms of the Bank Deposit Program are further described in the Bank Deposit Program Disclosure Statement, which has been provided to you with your account opening materials.

The fund expense information below reflects the most recent information available to us as of January 31, 2021, and is subject to change. Please refer to the funds' current prospectuses, statements of additional information and annual reports for more information.

<b>Fund</b>	<b>Advisory Fee</b>	<b>Distribution and Service Fees</b>	<b>Other Expenses</b>	<b>Total Annual Fund Operating Expenses</b>	<b>Total Annual Fund Operating Expenses After Fee Waivers and/or Expense Reimbursements</b>
MSILF Government Securities- Participant Share Class	0.15%	0.25%	0.08%	0.73%	0.45%
MS U.S. Government Money Market Trust	0.38%	0.10%	0.10%	0.35%	0.35%

**Interest Earned on Float**

If MSWM is the custodian of your account, MSWM may retain as compensation, for providing services, the account's proportionate share of any interest earned on cash balances held by MSWM (or an affiliate) with respect to assets awaiting investment including:

- new deposits to the account (including interest and dividends) and
- uninvested assets held by the account caused by an instruction to the custodian to buy and sell securities (which may, after the period described below, be automatically swept into a sweep vehicle).

This interest is generally at the prevailing Federal Funds interest rate.

Generally, with respect to such assets awaiting investment:

- when the custodian receives the assets on a day on which the NYSE is open ("Business Day") and before the NYSE closes, the custodian earns interest through the end of the following Business Day and
- when the custodian receives the assets on a Business Day but after the NYSE closes, or on a day which is not a Business Day, the custodian earns interest through the end of the second following Business Day.