

# **Form ADV Firm Brochure**

## **Morgan Stanley Smith Barney LLC**

Consulting and Evaluation Services (directed brokerage) Program  
Investment Management Services (directed brokerage) Program

**September 30, 2022**

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**This 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 July 25, 2022. For more details on any particular matter, please see the item in this ADV Brochure referred to in the summary below.

### **Update to Cash Sweeps**

Program Banks were incorporated into the Bank Deposit Program, as described in Item 4.C under “*Cash Sweeps*”.

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## Item 4: Advisory Business

### A. Description of MSWM, Principal Owners

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

MSWM offers clients (“you”, “your” or “Client”) many different advisory programs. Many of MSWM’s advisory services are provided by its Consulting Group business unit (“CG”). You may obtain 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.

We 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”)), with respect to “Retirement Accounts.” For purposes of this Brochure (including the Exhibit), 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 contribution, profit-sharing and welfare plans sponsored by private employers, as well as similar arrangements sponsored by governmental or other public employers, which arrangements are generally not subject to ERISA; (ii) individual retirement accounts “IRAs” (as described in Section 4975 of the Code); and (iii) Coverdell Educational Savings Accounts (“CESAs”).

Unless you have selected an external custodian, your account assets are generally custodied at MSWM, except that certain “sweep” assets held in the Bank Deposit Program are custodied with Morgan Stanley Bank, NA or Morgan Stanley Private Bank, NA (together the Morgan Stanley Sweep Banks”) or certain third party Program Banks. Please see Item 4.C Services, Fees and Compensation -- Additional Fees – Cash Sweeps below, for more information.

### B. Description of Advisory Services

This Brochure describes two investment advisory programs: the Consulting and Evaluation Services - Directed Brokerage program and the Investment Management Services - Directed Brokerage program. Any such services will be specified in the investment advisory agreement between MSWM and you (see “Account Opening” in this Item 4.B below) and are subject to change without notice to you.

A manager participating in these programs may offer one or more investment strategies (“strategy”) for selection by you. References herein to “manager” will include references to any strategy offered by that manager. Generally, investment strategies that managers may use in the programs described in this Brochure will include as part of their portfolio common stock or fixed income securities but may also include American

Depository Receipts, mutual funds, exchange traded funds (“ETFs”), master limited partnerships (“MLPs”), foreign

securities, options (including uncovered options) and other security types. Please review the ADV Brochure for the manager you select for additional details on that manager’s portfolio.

From time to time, managers may request that we provide them with information about you and your account (including your financial situation and investment objectives) and we may provide your managers with a data download of all transactions they effected on your behalf. Your selection of a manager is deemed to be your consent to our provision of that information as well as data and copies of your account statements to that manager. You may revoke that consent at any time by terminating the account.

### Consulting and Evaluations Services - Directed Brokerage

The Consulting and Evaluation Services (“CES”) program offers you the portfolio management services of affiliated and non-affiliated Managers, selected and approved by MSWM, in a program that provides consulting, custody, brokerage and performance reporting.

To participate in the CES program, you sign separate agreements with us and each of your selected managers, and pay separate fees to us and each manager. See “Account Opening” in this Item 4.B below for additional information. You delegate investment discretion directly to the managers, while we provide consulting, custody, brokerage, and administrative services. Certain clients may also elect, subject to our approval, not to receive all our services available in CES. You may open multiple accounts, each managed by one manager according to a specific investment style.

After receiving relevant information from you, we identify several CES managers appropriate for you. You may also consider other CES managers (subject to minimum investment requirements and other information provided by you). The manager you select has the sole authority to manage your account and make investment decisions in light of, among other things, your investment objectives and requirements (including any restrictions). Sometimes CES managers delegate some of their duties to a sub-adviser.

**The decision to participate in CES and the selection of the manager(s) is your decision and responsibility.**

***Changes to Investment Managers.*** A manager may offer one or more investment strategies in the CES program. Changes to a previously selected manager or strategy of a particular manager may be made in the following ways:

- i. MSWM may terminate an investment manager or a particular strategy of the manager for any reason.
- ii. Managers may terminate their participation in the CES program, their investment strategy or their services to

one or more clients, for any reason, generally on a defined period of notice to MSWM.

If your manager or a strategy managed by your manager is terminated from the CES program (either by us or by the manager), we will notify you and ask you to select a new manager or strategy. Our notice may also identify an appropriate replacement manager or strategy selected by us. If you do not select a new manager or strategy within the time frame prescribed in our notice and even if the notice recommended a new manager or strategy, your assets will be moved to a brokerage account at MSWM. If your account becomes a brokerage account you will be responsible for making all investment decisions for your account.

You will need to select a new replacement manager to continue receiving services offered under the CES program.

You may change or terminate a manager or a strategy managed by the manager for any reason by complying with MSWM's procedures for manager changes and termination.

Your Financial Advisor may recommend a change of managers or strategy for any reason including without limitation, your investment objectives or market conditions change or if another manager would be more appropriate for you.

In the CES program, the manager you have selected is subject to ongoing review by Morgan Stanley's Global Investment Manager Analysis unit ("GIMA"). If after review by GIMA, the manager or strategy you had previously selected is still approved for the Consulting and Evaluation Services program but has undergone an asset class change, MSWM may notify you, of the asset class change. Such notification may include an appropriate manager that is in the Asset Class that you have selected.

For any changes to or terminations of managers, with your verbal or written consent, MSWM may assign you to a different manager.

MSWM may refuse, without penalty, to honor instructions with respect to a client's account from a terminated manager, notwithstanding any failure by the client to execute a written revocation. Engaging a replacement manager may result in liquidation of securities from the account.

### **Investment Management Services - Directed Brokerage**

The Investment Management Services ("IMS") program was created to accommodate clients who want to maintain a relationship with an investment manager of their choice that is not covered by MSWM's Global Investment Manager Analysis Group, and, thus not included in the due diligence process that GIMA employs for investment managers and funds of certain other investment advisory programs offered by MSWM. For additional information on GIMA, see "Methods of Analysis, Investment Strategies and Risk of Loss" in Item 8 below.

Although you are not offered the manager identification, review and monitoring services described below, IMS offers execution, custody and performance reporting for your account. To participate in the IMS program, you sign separate agreements with MSWM and your selected manager, pay separate fees to

MSWM and the manager and you delegate investment discretion directly to the manager. See "Account Opening" in this Item 4.B below for additional details.

The decision to participate in IMS and the review and selection of the manager(s) is your decision and responsibility whether or not your relationship with the investment manager predates your relationship with MSWM and/or your current Financial Advisor. MSWM will not assist in any way with the recommending or soliciting of the managers selected in the IMS program.

In addition, you, and not MSWM, will be responsible for the initial and ongoing evaluation and monitoring of the managers selected by you for the IMS program.

On or about April 27, 2020, the IMS program began offering select mutual funds for trading eligibility. These funds will be available for trading at the Investment manager's discretion. In the IMS Program, trading in A or C shares for mutual funds or funds that are inclusive of a 12B-1 fee will be prohibited.

A list of approved mutual funds will be made available to all IMS managers.

### **Account Opening**

To enroll in the CES and IMS programs, you must enter into the MSWM Single Advisory Contract (the "Single Advisory Contract") to open accounts in CES and IMS. The Single Advisory Contract governs the terms of your existing and future investment advisory accounts and relationships with Morgan Stanley. MSWM has discontinued use of the CES and IMS client agreements for opening new accounts (but some existing CES and IMS accounts may have been opened using the CES and IMS client agreements). The CES and IMS client agreements and the Single Advisory Contract shall be collectively referred to as the "Account Agreement."

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 programs described in this Brochure.

You agree and acknowledge that any provisions of your Account Agreement, including the fee that you negotiated with your Financial Adviser, may be changed by MSWM upon notice to you.

### **Tax and Legal Considerations**

For the programs described in this Brochure, certain managers may be able to accommodate tax harvesting for a client and clients should contact their manager directly for details.

Clients may elect for their manager to sell securities harvesting gains and losses for the account. Such tax harvesting may entail decisions which deviate from a manager's overall investment strategy. As a result: (i) the account may not receive the benefits, including gains and avoided losses, of certain recommended purchases and sales of securities; and (ii) the account's composition and performance may vary significantly from that of client accounts for which similar tax harvesting services have

not been selected.

In the programs described in this Brochure, replacing a manager 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.

Some managers may include Master Limited Partnerships (“MLPs”) in their portfolios. Investment in MLPs entails different risks, including tax risks, than is the case for other types of investments. 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 investor to be taxed as dividend income. If you have any questions about the tax aspects of investing in a MLP, please discuss with your tax advisor.

Investors in MLP portfolios 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.

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 an 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 individual retirement accounts, 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 forwarded 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 Account investors (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.

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

We tailor our advisory services to your individual needs in the CES program by identifying investment managers that we consider appropriate for you from among those participating in the program based on the information from you and the managers. You select the investment manager to manage your assets.

We do not tailor our investment advisory services to your individual needs in the IMS program, as you select the investment manager without any recommendation by MSWM or your Financial Advisor.

Please contact the manager to determine what types of investment restrictions you may request for your account.

Please note that 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.

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

This item does not apply to the advisory programs described in this Brochure.

## **E. Assets Under Management (“AUM”)**

MSWM managed client assets of \$1,827,414,642,872 as of December 31, 2021. Of this amount, MSWM managed \$913,217,108,267 on a discretionary basis and \$914,197,534,605 on a non-discretionary basis. These amounts represent the client assets in all of our investment advisory programs. We calculated them using a different methodology than the “regulatory assets under management” we report in our ADV Part 1 filed with the SEC.

# **Item 5: Fees and Compensation**

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

You pay MSWM and the manager separately for the services each provides in the CES or IMS program.

- You may pay us for our services by: directed brokerage (i.e. paying commission on a transaction-by-transaction basis), or
- An asset-based fee at a maximum annual fee rate of 2% for CES which became effective on or about October 1, 2018, and a maximum annual fee rate of 2% for IMS. (Our separate Wrap Fee Program Brochure for the CES and IMS programs, available from your Financial Advisor, describes the asset-based fee option.)

The directed brokerage fee option was discontinued for all retirement accounts in the CES and IMS programs.

Where a CES manager uses a strategy that employs uncovered options, there will be a different fee arrangement between the client and MSWM. Alternatively, in some cases, institutional clients may negotiate an annual fixed dollar amount, paid quarterly. Please contact your Financial Advisor for additional information.

It is possible that either the commissions you pay to MSWM through the directed brokerage billing arrangement or compensation paid to MSWM through the annual fixed dollar amount billing arrangement are greater than the maximum asset-based advisory fee (2% for CES and 2% for IMS) charged by MSWM to clients who have selected that asset-based billing arrangement. We would recommend you contact your Financial Advisor to discuss possible changes to the billing arrangement on your account.

Each manager charges you a separate fee for its services. We do not pay the manager any part of the fee or other compensation you pay to us.

In the directed brokerage based advisory programs, we receive the brokerage commissions on transactions executed by MSWM. Clients may choose to pay brokerage transactions on a “cents per share” or as a “percentage discount” off our standard brokerage commission schedule.

Certain funds managed by us or our affiliates, including but not limited to MSIM and Eaton Vance Management (“EVM”) and its investment affiliates, may be included in your account.

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.

If you are a Retirement Account in the CES or IMS 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.

**Fees are Negotiable.** The brokerage commission schedule depends on many factors such as the stock exchange where the security is executed and the security's liquidity. The brokerage commissions are negotiable. The brokerage commissions you pay for your account may be (i) higher or lower than the commissions and/or 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 (ii) higher or lower than the cost of similar services offered through other financial firms. Each manager and strategy you hold in the programs described in this Brochure is held in a separate account, even if held in the same program. For more information, please ask your Financial Advisor.

**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 Account 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 the Account Agreement 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. Payment of Fees

In the advisory programs listed in this Brochure, you pay for our advisory fee in connection with executing securities transactions. Therefore, your payments accrue each time your investment manager places a trade for execution. In addition to the MSWM fee you pay with securities transactions, you can pay your investment management fee to your manager from your advisory account or your manager can bill you separately.

**Changes to Fees.** You agree and acknowledge that MSWM reserves the right to change the brokerage commission schedule that you have agreed to with your Financial Advisor upon notice to you.

**Other.** A portion of the MSWM Fee will be paid to your Financial Advisor. See "Other Compensation to Financial Advisors" in Item 5.E below for more information.

## C. Additional Fees and Expenses

If you open an account in one of the programs described in this Brochure, you pay commissions on the transactions in your account for investment advisory services (for CES only), custody of securities, and trade execution with or through MSWM. For more information on brokerage commissions, see Item 5.A, 5.B and Item 12.A. The program fees do not cover:

- The costs of investment management fees and other expenses charged by the investment manager that you selected;
- "mark-ups," "mark-downs," and dealer spreads (A) that MSWM or its affiliates, including MS&Co., may receive when acting as principal in certain transactions where permitted by law or (B) that other broker-dealers may receive when acting as principal in certain transactions effected through MSWM and/or its affiliates acting as agent, which is typically the case for dealer market transactions (e.g., fixed income, over-the-counter equity, and foreign exchange ("FX") conversions in connection with purchases or sales of FX-denominated securities and with payments of principal and interest dividends on such securities);
- 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 statements
- MSWM account establishment or maintenance fees for its 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;
- Any fee which a trust company affiliated with MSWM charges for its services (if applicable) as custodian and trustee for the assets in the program described in this Brochure, pursuant to a separate agreement between you and the trust company;
- 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) or
- Interest charged to the account should the account have a trade-related debit balance.

## Funds in Advisory Programs

Investing in strategies that invest in mutual funds, closed-end funds, and ETFs (such mutual funds, closed-end funds, and ETFs collectively, "Funds") is more expensive than other investment options offered in your advisory account. In addition to our fee, you pay the fees and expenses of the Funds in which your account is invested. Fund fees and expenses are charged directly to the pool of assets the Fund invests in and are reflected in each Fund's net asset value. These fees and expenses are an additional cost to you and are not included in the fee amount in your account statements. Each Fund expense ratio (the total amount of fees and expenses charged by the Fund) is stated in its prospectus. The expense ratio generally reflects the costs incurred by shareholders during the Fund's most recent fiscal reporting period. Current and future expenses may differ from those stated in the prospectus.

You do not pay any sales charges for purchases of Funds in the programs described in this Brochure. However, some mutual funds may charge, and not waive, a redemption fee on certain



transaction activity in accordance with their prospectuses. Please refer to the applicable prospectus for more information.

MSWM shall not be responsible for any misstatement or omission or for any loss attributable to such misstatement or omission contained in any Fund prospectus, fact sheet or any other disclosure document provided to us for distribution to clients.

MSWM also receives the following fees and payments in connection with your investment in a Fund.

***Expense Payments and Fees for Data Analytics.***

MSWM receives expense payments and fees for data analytics, recordkeeping, and related services. MSWM provides Fund families with opportunities to sponsor meetings and conferences and grants them access to our branch offices and Financial Advisors for educational, marketing, and other promotional efforts. Fund representatives may work closely with our branch offices and Financial Advisors to develop business strategies and support promotional events for clients and prospective clients and educational activities. Some Fund families or their affiliates reimburse MSWM for certain expenses incurred in connection with these promotional efforts and/or training programs. Fund families independently decide if and what they will spend on these activities, with some Fund families agree to make substantial annual dollar amount expense reimbursement commitments. Fund families may also invite our Financial Advisors to attend Fund family-sponsored events. Expense payments may include meeting or conference facility rental fees and hotel, meal, and travel charges. For more information regarding the payments MSWM receives from Fund families, please refer to the brochures titled “Mutual Fund Features, Share Classes and Compensation” and “ETF Revenue Sharing, Expense Payments and Data Analytics” (together, the “Mutual Fund and ETF Brochures”), which can be found at <https://www.morganstanley.com/iai>. The Mutual Fund and ETF Brochures are also available from your Financial Advisor on request.

Fund family representatives are allowed to occasionally give nominal gifts to Financial Advisors, and to occasionally entertain Financial Advisors (subject to an aggregate entertainment limit of \$1,000 per employee per Fund family per year). MSWM’s non-cash compensation policies set conditions for each of these types of payments, and do not permit any gifts or entertainment conditioned on achieving any sales target.

MSWM also provides Fund families with the opportunity to purchase data analytics regarding Fund sales. The amount of the fee depends on the level of data. We also offer sponsors of passively-managed ETFs a separate transactional data fee. Additional fees apply for those Fund families that elect to purchase supplemental data analytics regarding other financial product sales at MSWM. For more information regarding these payments, as well as others, please refer to the Mutual Fund and ETF Brochures described above.

***Conflicts of Interest regarding the Above-Described Fees and Payments***

The above-described fees present a conflict of interest for Morgan Stanley and our Financial Advisors to promote and recommend those Funds that make these payments rather than

other eligible investments that do not make similar payments. This in turn could lead our Financial Advisors and Branch Managers to focus on those Fund families that provide significant sales expense payments and/or purchase data analytics. In order to mitigate these conflicts, Financial Advisors and their Branch Managers do not receive additional compensation as a result of the data analytics payments received by Morgan Stanley.

***Affiliated Funds***

Certain Funds are sponsored or managed by, or receive other services from, MSWM and its affiliates, which include, but are not limited to, Morgan Stanley Investment Management, Eaton Vance, Boston Management and Research, Calvert Research and Management, Atlanta Capital Management Company and Parametric Portfolio Associates. MSWM or the affiliated sponsor (or other service provider) receives additional investment management fees and/or other fees from these Funds. Therefore, MSWM has a conflict to recommend MSWM proprietary and/or affiliated Funds. In order to mitigate this conflict, Financial Advisors do not receive additional compensation for recommending proprietary and/or affiliated funds. MSWM’s affiliates have entered into administrative services and revenue sharing agreements with MSWM as described above.

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

***Mutual Fund Share Classes.*** Mutual funds typically offer different ways to buy fund shares. Some mutual funds offer only one share class while most funds offer multiple share classes. Each share class represents an investment in the same mutual fund portfolio, but assesses different fees and expenses. Many mutual funds have developed specialized share classes designed for various advisory programs (“Advisory Share Classes”). In general, Advisory Share Classes are not subject to either sales loads or ongoing marketing, distribution and/or service fees (often referred to as “12b-1 fees”), although some may assess fees for record keeping and related services. MSWM typically utilizes Advisory Share Classes that assess fees for record keeping and related services. If you wish to purchase other types of Advisory Share Classes, which may carry lower overall costs and thereby increase your investment return, you will need to do so directly with the mutual fund or through an account at another financial intermediary.

Please note, although we may offer non-Advisory Share Classes of mutual funds (i.e., those that are subject to 12b-1 fees) if, for example, a fund does not offer an Advisory Share Class that is equivalent to those offered here, MSWM will rebate directly to the clients holding such fund any such 12b-1 fees that we receive. Once we make an Advisory Share Class available for a particular mutual fund, clients can only purchase the Advisory Share Class of that fund.

If you hold non-Advisory Share Classes of mutual funds in your advisory account or seek to transfer non-Advisory Share Classes of mutual funds into your advisory account, MSWM (without

notice to you) will convert those shares to Advisory Share Classes to the extent they are available. This will typically result in your shares being converted into a share class that has a lower expense ratio, although exceptions are possible.

On termination of your advisory account for any reason, or the transfer of mutual fund shares out of your advisory account, we will convert any Advisory Share Classes of funds into a share class that is available in non-advisory accounts or we may redeem these fund shares. Non-Advisory Share Classes generally have higher operating expenses than the corresponding Advisory Share Class, which will increase the cost of investing and negatively impact investment performance.

For more information, please refer to the Mutual Fund and ETF Brochures described above.

### ***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 designated cash sweep vehicle investment. Generally, the rate you will earn on BDP will be lower than the rate on other available cash alternatives. In limited circumstances, such as for 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 MSIM or another MSWM affiliate. Pathway Funds are not included as an investment in the Cash Sweep.

It is important to note that free credit balances and allocations to cash, including assets invested in sweep vehicle investments, are included in the calculation of the Fee and the Platform Fee for your account, as described above.

If your account is a Retirement Account, you should read the Exhibit to this Brochure, entitled “Affiliated Money Market Funds Fee Disclosure Statement and Float Disclosure Statement”.

MSWM, acting as your custodian, will effect sweep transactions only to the extent permitted by law and if you meet the sweep vehicle investment’s eligibility criteria. Effective first quarter 2023, certain eligible deposits in BDP may be swept to non-affiliated Program Banks (as defined in the Bank Deposit Program Disclosure); this additional sweep feature may provide enhanced FDIC coverage to you as well as funding value benefits to the Morgan Stanley Sweep Banks. For eligibility criteria applicable to this additional sweep feature and BDP generally, 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 vehicle investment, you should be aware that the Morgan Stanley 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 Morgan Stanley 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 Morgan Stanley 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, in its capacity as custodian, has a conflict of interest in enrolling you in BDP as the default sweep vehicle investment, rather than an eligible Money Market Fund.

In addition, MSWM and the Morgan Stanley Sweep Banks and their affiliates receive other financial benefits in connection with the BDP. Through the BDP, each Morgan Stanley Sweep Bank will receive a stable, cost effective source of funding. Each Morgan Stanley Sweep Bank intends to use deposits in the Deposit Accounts at the Morgan Stanley 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 Morgan Stanley Sweep Banks and other costs of maintaining the Deposit Accounts, and the interest rate and other income earned by the Morgan Stanley Sweep Banks on those loans and investments made with the funds in the Deposit Accounts. The income that a Morgan Stanley 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.

Morgan Stanley has added Program Banks to the BDP in order to maximize the funding value of the deposits in BDP for the Morgan Stanley Sweep Banks. On any given day, you may have deposits that are swept to a Program Bank depending on the funding value considerations of the Morgan Stanley Sweep Banks and the capacity of the depository networks that allocate deposits to the Program Banks. In addition to the benefits to the Morgan Stanley Sweep Banks, you may also benefit from having deposits sweep to the Program Banks by receiving FDIC insurance on deposit amounts that would otherwise be uninsured.

If your sweep vehicle 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 vehicle investment is a Money Market Fund, you understand that MSIM (or another MSWM affiliate) will receive compensation for managing the Money Market Fund. We receive compensation from such Money Market Funds at rates that are set by the funds’ prospectuses and currently range, depending on the program in which you invest, from 0.10% per year (\$10 per \$10,000 of assets) to 0.25% per year (\$25 per \$10,000 of assets) of the total Money Market Fund assets held by our clients. Please review your Money Market Fund’s prospectus to learn more about the compensation we receive from such funds.

We have a conflict of interest to only utilize affiliated Money Market Funds, and those affiliated funds and share classes that pay us more compensation than other funds and share classes. You should understand these costs because they decrease the return on your investment. In addition, we intend to receive

revenue sharing payments from Morgan Stanley Investment Management Inc. in the event a Money Market Fund waives its fees in a manner that reduces the compensation that we would otherwise receive.

We either rebate to clients or do not receive compensation on sweep Money Market Fund positions held in our fee-based advisory account programs.

Unless your account is a Retirement Account, the Fee will not be reduced by the amount of the Money Market Fund's applicable fees. For additional information about the Money Market Fund and applicable fees, you should refer to each Money Market Fund's prospectus.

## **D. Prepayment of Fees**

For clients who elect the directed brokerage payment option, as described in this Brochure, we do not charge you commissions in advance. For the asset-based fee payment option, you pay your MSWM fees to us quarterly in advance.

You may terminate participation in the programs described in this Brochure at any time by giving oral or written notice to MSWM. If you terminate your advisory agreement with the investment manager or with us during a billing quarter, we will refund to you, on a pro rata basis, any asset-based fees you prepaid to us for our services.

## **E. Other Compensation to Financial Advisors**

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 you invest in, the asset class within a program that you select (e.g., equity vs. fixed income), and the rate and amount of your fee. The amount we allocate to your Financial Advisor in connection with accounts opened in programs described in this Brochure 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. Your Financial Advisor may therefore have a financial incentive to recommend one of the programs in this Brochure instead of other MSWM programs or services.

If you invest in one of the programs described in this Brochure, the 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. If your fee rate is below a certain threshold, we give your Financial Advisor credit for less than the total amount of your fee in calculating his or her compensation. Therefore, Financial Advisors also have a financial incentive not to reduce fees below that threshold.

The sale of some financial products will benefit your Financial Advisor more than others. In the CES program, your Financial Advisor has a conflict of interest in recommending a manager with a high portfolio turnover ratio (trades frequently). We address this conflict by disclosing it to you.

You may be able to invest with managers directly or through brokers or agents not affiliated with MSWM, instead of investing through the CES or IMS programs.

In the programs described in this Brochure, we do not charge any advisory fee in addition to commissions. Less than 50% of our revenue generated from our advisory business comes from commissions and compensation such as distribution fees for the sale of investment products we recommend to clients.

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

This item does not apply to the programs described in this Brochure.

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

Our 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.

In the CES and IMS programs, minimum account sizes are set by each manager and generally range from \$250,000 to \$5 million or higher.

All new CES accounts with fixed income strategies will have at least a \$1 million minimum account size.

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

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

MSWM does not provide portfolio management services in the programs listed in this Brochure. Your investment manager performs the discretionary management of your account. Financial Advisors may recommend a particular investment manager focusing on a particular strategy to clients in the CES program. However, Financial Advisors will not recommend an investment manager in the IMS program. Investing in securities involves risk of loss that you should be prepared to bear.

In the CES program, we offer a wide range of investment managers that we have selected and approved. Item 4.B above describes the basis on which we recommend particular managers to particular clients. This Item 8.A describes more generally how we select managers for and terminate managers from the CES program. If managers have more than one strategy, we may include only some of those strategies in the programs

described in this Brochure, may carry different strategies in different programs, and assign different statuses to different strategies.

GIMA evaluates managers and strategies offered by managers. GIMA may delegate some or all of its functions to an affiliate or third party. Managers may only participate in the CES program if they are on GIMA's Focus List or Approved List discussed below. You may obtain these lists from your Financial Advisor. Only some of the managers that are approved by GIMA and are on the Focus List and Approved List may be available in CES. In addition, investment products such as the mutual funds and ETFs approved by GIMA are not offered in the CES program.

As well as requiring managers to be on the Focus List or Approved List, we look at other factors in determining which managers we offer in these programs, including:

- Program needs (such as whether we have a sufficient number of managers available in an asset class);
- Client demand; and
- The manager's minimum account size.

We automatically terminate managers in the CES program if GIMA downgrades them to "Not Approved." We may terminate managers from the program for other reasons (e.g., the manager has a low level of assets under management in the program, the manager has limited capacity for further investment, or the manager is not complying with our policies and procedures).

**Focus List.** The Focus List status indicates GIMA's high confidence level in the overall quality of the investment option and its ability to outperform applicable benchmarks over a full market cycle. To be considered for the Focus List, a manager provides GIMA with relevant documentation on the strategy being evaluated, which may include a Request for Information (RFI), sample portfolios, asset allocation histories, its Form ADV (the form that investment managers use to register with the SEC), past performance information and marketing literature. Additional factors for consideration may include personnel depth, turnover, and experience; investment process; business and organizational characteristics; and investment performance. GIMA personnel may also interview the manager and its key personnel and examine its operations. Following this review process, managers are placed on the Focus List if they meet the required standards for Focus List status.

GIMA periodically reviews managers on the Focus List. GIMA considers a broad range of factors (including investment performance, staffing, operational issues, and financial condition). Among other things, GIMA personnel may interview each manager periodically to discuss these matters. If GIMA is familiar with a manager following repeated reviews, GIMA is likely to focus on quantitative analysis and interviews and not require in-person meetings. GIMA may also review the collective performance of a composite of the MSWM accounts managed by a manager and compare this performance to overall performance data provided by the manager, and then investigate any material deviations.

**Approved List.** The process for including and considering managers on the Approved List is less comprehensive. Managers provide GIMA with relevant documentation on the strategy being evaluated, which may include a Request for Information (RFI), sample portfolios, asset allocation histories, its Form ADV (the form that investment managers use to register with the SEC), past performance information and marketing literature. Additional factors for consideration may include personnel depth, turnover, and experience; investment process; business and organizational characteristics; and investment performance. GIMA personnel may also interview the manager or Fund and its key personnel, typically via conference call.

Based on the above, GIMA then determines whether the manager meets the standards for Approved List status. Approved List managers meet an acceptable due diligence standard based upon GIMA's evaluation.

GIMA periodically evaluates managers on the Approved List and Focus List to determine whether they continue to meet the approved standards.

**Changes in Status from Focus List to Approved List.** GIMA may determine that a manager no longer meets the criteria for the Focus List but meets the criteria for the Approved List. If so, MSWM generally notifies program clients regarding such status changes on a quarterly basis in their client statements.

**Changes in Status to Not Approved.** GIMA may determine that a manager no longer meets the criteria for either the Focus List or Approved List and therefore the manager will no longer be recommended in MSWM investment advisory programs. We notify affected clients of these downgrades. You cannot retain downgraded managers in your CES account and must select a replacement from the Approved List or Focus List, and that is available in the program, if you wish to retain the program's benefits with respect to the affected assets.

In some circumstances, you may be able to retain terminated managers in another advisory program or in a brokerage account subject to the regular terms and conditions applying to that program or account. Ask your Financial Advisor about these options.

In the CES program, MSWM generally specifies a replacement manager for a terminated manager (as discussed in Item 4.B above). In selecting the replacement manager, GIMA generally looks for a manager in the same asset class, and with similar attributes and holdings to the terminated manager.

**Evaluation of Material Changes to -Managers or Strategy.** If GIMA learns of a material change to a manager or strategy (e.g., the departure of an Investment Manager or Manager Team), MSWM, an affiliate or a third party retained by MSWM or an affiliate, will evaluate the manager or strategy in light of the change. This evaluation may take some time to complete. While this evaluation is being performed, the manager or strategy will remain eligible for the CES program. The GIMA designation (Focus List or Approved List) for the manager or strategy will not be altered solely because this evaluation is in progress. MSWM will not necessarily notify

clients of any such evaluation.

***Termination of Manager or Strategy for Reasons Other than a GIMA Downgrade to “Not Approved.”*** As indicated above in this Item 8.A, we may terminate managers from the CES program due to a GIMA downgrade to “Not Approved”, or for various other reasons. A termination for reasons other than a GIMA downgrade to “Not Approved” will be referred to in this ADV Brochure as a “Drop in Coverage.”

Once we have decided to institute a Drop in Coverage for a manager, we will generally not permit clients who are not using that manager to select that manager for a CES account. However, for a period of time up to two years, we will permit clients who are using that manager to continue to do so, and to add assets to that manager. This is to allow impacted clients time and flexibility to work with their Financial Advisor to select a replacement manager.

During this period, GIMA will continue to evaluate the manager. If GIMA downgrades the manager to “Not Approved”, we will terminate the manager at that time (rather than allowing current clients to utilize it for the remainder of the period). During this period after we have decided to institute a Drop in Coverage, GIMA may rely more heavily on an algorithm or other quantitative factors in its evaluation, and may discontinue preparation of periodic reports or other written materials.

***Watch Policy.*** GIMA has a “Watch” policy for managers on the Focus List and Approved List. Watch status indicates that, in reviewing a manager, GIMA has identified specific areas of the manager’s business that (a) merit further evaluation by GIMA and (b) may, but are not certain to, result in the manager becoming “Not Approved.” Putting a manager on Watch does not signify an actual change in GIMA opinion nor is it a guarantee that GIMA will downgrade the manager. The duration of a Watch status depends on how long GIMA needs to evaluate the manager and for the manager to address any areas of concern. For additional information, ask your Financial Advisor for a copy of GIMA’s Watch Policy.

***Tactical Opportunities List.*** GIMA also has a Tactical Opportunities List. This consists of certain managers on the Focus List or Approved List recommended for investment at a given time based in part on then-existing tactical opportunities in the market.

***Other Relationships with Managers.*** Some managers on the Approved List or Focus List may have business relationships with us or our affiliates. For example, a manager may use Morgan Stanley & Co. Incorporated (“MS&Co.”) or an affiliate as its broker or may be an investment banking client of MS&Co. or an affiliate. GIMA does not consider the existence or lack of a business relationship in determining whether to include or maintain a manager on the Approved List or Focus List.

## **IMS Program**

Mutual funds available to be invested in the IMS program are evaluated by GIMA and included on either the Focus or Approved List. In the event GIMA downgrades any mutual fund offered in the IMS program, it will be removed from the eligible universe available to the managers if there are no holders of that

downgraded fund. If there are active holders, MSWM will inform the manager that the mutual fund was downgraded. The manager has discretion to remain invested in the mutual fund or to invest in another mutual fund available on either the Focus list or Approved list. This decision will be made at the sole discretion of the manager.

Please review your investment manager’s ADV Part 2 for a discussion on the method of analysis and investment strategy. For the CES and IMS programs, please contact your manager to review any manager ADV.

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

All trading in your account is at your risk. 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 and the managers do not guarantee performance, and a manager’s past performance with respect to other accounts does not predict your account’s future performance.

In addition, certain investment strategies that managers may use in the programs described in this Brochure have specific risks, including those associated with investments in common stock, fixed income securities, American Depositary Receipts, mutual funds, ETFs, foreign securities, and the investments below. You should consult with your Financial Advisor regarding the specific risks associated with the investments in your account. Also, please review any manager’s ADV Brochure for a discussion of the material risks associated with any Strategy you may have selected. For the CES and IMS programs, please contact your manager to review any manager ADV.

MSWM, its affiliates and any managers will not have any responsibility for (i) your assets not in the account, or (ii) for any act done or omitted on the part of any third party.

***Risks Relating to ETFs.*** There may be a lack of liquidity in certain ETFs which can lead to a large difference between the bid-ask prices (increasing the cost to you when you buy or sell the ETF). A lack of liquidity also may cause an ETF to trade at a large premium or discount to its net asset value. Additionally, an ETF may suspend issuing new shares and this may result in an adverse difference between the ETF’s publicly available share price and the actual value of its underlying investment holdings. At times when underlying holdings are traded less frequently, or not at all, an ETF’s returns also may diverge from the benchmark it is designed to track.

***Risks Relating to Money Market Funds.*** You could lose money in money market funds. Although many 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 maintain a stable \$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.

Moreover, in some circumstances, money market funds may cease operations when the value of a fund drops below \$1.00 per share. If this happens, the fund's holdings may be liquidated and distributed to the fund's shareholders. This liquidation process can be prolonged in nature and last for months. During this time, these funds would not be available to you to support purchases, withdrawals and, if applicable, check writing or ATM debits from your account.

***Risks Relating to Options.*** There are a number of risks inherent in options trading, particularly with uncovered options. The potential loss of investing or trading in options, in general, is substantial, and the potential loss of investing or trading in uncovered call options is unlimited.

An investor selling uncovered call options is in an extremely risky position, and may incur large losses if the value of the underlying instrument increases above the exercise price. As with selling uncovered calls, the risk of selling uncovered put options is substantial. The seller of an uncovered put option bears a risk of loss if the value of the underlying instrument declines below the exercise price.

Investing or trading in uncovered options is therefore appropriate only for the knowledgeable investor who understands the risks, has the financial capacity and willingness to incur potentially substantial losses, and has sufficient liquid assets to meet applicable margin requirements. In this regard, if the value of the underlying instrument moves against an uncovered option writer's options position, the investor's broker may request significant additional margin payments. If an investor does not make such margin payments, the broker may liquidate stock, options, or other positions in the investor's accounts, with little or no prior notice in accordance with the investor's margin agreement. Moreover, interest charged on any margin balance may impact the expected investment return and is in addition to the MSWM Fee, the separate manager fee, and any other additional fees. See "Fees".

For combination writing, where the investor sells both a put and a call on the same underlying instrument, the potential risk is unlimited.

Options investing, like other forms of investing, involves tax considerations that can significantly affect the profit and loss of buying and selling options. Investors should consult with their own tax advisors.

Before investing or trading in options, an investor should read and understand the Morgan Stanley Options New Account Form and Client Agreement (including the "Special Statement for Uncovered Option Writers" contained in that Agreement, and a current copy of the "Characteristics and Risks of Standardized Options" Disclosure Document, which are both available from a Morgan Stanley Financial Advisor or Private Wealth Advisor.

***Risks Relating to Master Limited Partnerships.*** Master Limited Partnerships 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. Investments in MLPs entail 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 these sectors (including commodity pricing risk, supply and demand risk, depletion risk and exploration risk). Depending on the ownership vehicle, MLP interests are subject to varying tax treatment. Please see "Tax and Legal Considerations" in Item 4.B below and any mutual fund or ETF prospectus, for more information. You may obtain any mutual fund or ETF prospectus by asking your Financial Advisor.

***Risks Relating to Investment in a Concentrated Number of Securities or to Investment in Only One Industry Sector (or in Only a Few Sectors).*** 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. 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 MLP strategies, as many MLPs are issued by companies engaged in the energy and natural resources business.

***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.

***Risks Relating to Mutual Funds and ETFs that Pursue Complex or Alternative Investment Strategies or Returns.*** These mutual funds and ETFs utilize non-traditional or complex investment strategies and/or derivatives for both hedging and more speculative purposes, which can increase volatility and the risk of investment loss. Certain of these funds are sometimes referred to as "liquid alternatives." These funds often present higher costs and expenses, with certain of these funds charging fees that fluctuate with their performance. Please refer to the mutual fund or ETF's prospectus for additional information on expenses and descriptions of the specific non-traditional and complex strategies utilized by the fund.

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 and ETFs may materially vary from those of privately offered alternative investments pursuing similar investment objectives. They are also more likely to have relatively higher correlation with traditional market returns than privately offered alternative investments. Non-traditional investment options and strategies are often employed by a portfolio manager to further a mutual 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 mutual 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 mutual 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 Differing Classes of Securities.*** 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.

For other risks relating to the particular strategy you hold in your account, see your manager's Brochure. For the CES and IMS programs, please contact your manager to review any manager Brochures.

## C. Risks Associated with Particular Types of Securities

Please review your investment manager's ADV Part 2 for a discussion of the material risks associated particular securities in your account. For the CES and IMS programs, please contact your manager to review any manager ADV.

## Item 9: Disciplinary Information

This section contains information on certain legal and disciplinary events.

- 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 clients of Citigroup Global Markets Inc., a predecessor of MSWM, 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.

- 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.

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

## Item 10: 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").

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

- Securities underwriting, distribution, trading, merger, acquisition, restructuring, real estate, project finance and other corporate finance advisory activities;
- Merchant banking and other principal investment activities;
- Brokerage and research services;
- Asset management;
- Trading of foreign exchange, commodities, and structured financial products; and
- Global custody, securities clearance services, and securities lending.

### A. Broker-Dealer Registration Status

As well as being a registered investment advisor, MSWM is registered as a broker-dealer.

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

MSWM has related persons that are commodity pool operators (Ceres Managed Futures LLC, Morgan Stanley AIP GP LP, Morgan Stanley Investment Management Inc., Morgan Stanley Cayman Ltd., Morgan Stanley AIP Cayman GP Ltd., Morgan Stanley Alternative Investment Partners LP, Morgan Stanley Hedge Premier GP, and Morgan Stanley GWM Feeder Strategies LLC) and commodity trading advisers (Ceres Managed Futures LLC, Morgan Stanley AIP GP LP, Morgan Stanley Investment Management Inc.). For a full listing of affiliated investment advisers, please see the ADV Part I.

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

**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 as discussed below).



- 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.

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

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

**Trade Allocations.** MSWM may aggregate the securities to be sold or purchased for more than one client to obtain favorable execution to the extent permitted by law. MSWM 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, the size of the accounts, 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.

**Services Provided to Other Clients.** MSWM and its affiliates and investment managers and their 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 MSWM may recommend for purchase or sale by clients or are otherwise held in client accounts, and investment management firms in the programs described in this Brochure. MSWM and its affiliates and investment managers and their 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 MS&Co. MSWM and investment managers and their affiliates or an affiliate performs investment banking or other services.

**Restrictions on Securities Transactions.** There may be periods during which MSWM or investment managers are not permitted to initiate or recommend certain types of transactions in the securities of issuers for which MS&Co. or one of its affiliates is performing broker-dealer or investment banking services or has 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, the managers and their 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 its 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, managers and their affiliates are not obligated to effect any transaction that MSWM or a manager or any of their affiliates believe would violate federal or state law, or the regulations of any regulatory or self-regulatory body.

**Options Flow Preferencing.** When MSWM processes an options order for your account, the order may be routed to options exchanges with an indication that our affiliate Morgan Stanley & Co. LLC ("MS&Co.") has a "preference" on the options order. A "preference" gives MS&Co. the ability to begin an auction among market makers in order to receive bids or offers for a transaction, however such "preference" will only result in an order executed with MS&Co. if its price is equal to or lower than the best price quoted on the relevant exchange. By "preferencing" itself, MS&Co. may generate larger trading volumes than if it were not "preferenced", and that may result in MS&Co. receiving certain benefits. Both MSWM and MS&Co. continue to have an obligation to obtain best execution terms for client transactions under prevailing circumstances, and consistent with applicable law.

**Research Reports.** 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.; Copeland Markets LLC; Equilend Euroclear PLC; LCH.Clearnet Group Ltd.; Turquoise Global Holdings Ltd.; CME; ICE US Holding Company, LP; OTCDeriv Limited; TIFFE – Tokyo Financial Futures Exchange; iSWAP Limited; EOS Precious Metals Limited; CreditDeiv Limited; FXGLOBALCLEAR; The Depository Trust and Clearing Corporation; CME/CBOT/NYMEX; Dubai Mercantile Exchange; Intercontinental Exchange; Tokyo Commodities 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. receive 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.

***MSWM Affiliate in Underwriting Syndicate; MSWM Distribution of Securities; 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. If MSWM participates in the distribution of new issue securities that are purchased for a client's account, MSWM will receive a fee, to be paid by the issuing corporation to the underwriters of the securities and ultimately to MSWM, 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 and services, 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 in this Brochure. Also, in the event of corporate actions with respect to securities held in client accounts, to the extent such corporate actions result in exchanges, tender offers, or similar transactions, MSWM and/or its affiliates may participate in and/or advise on such transactions and receive compensation. The interest of MSWM's affiliates in these corporate actions may conflict with the interest of MSWM clients. In addition, where an affiliate of MSWM is representing or advising the issuer in a transaction, the interest of the issuer may conflict with client interests and create a potential conflict of interest for MSWM. MSWM also provides various services to issuers, their affiliates, and insiders, including but not limited to, stock plan services and financial education for which MSWM receives compensation.

***MSWM Affiliate as Investment Advisor or Service Provider.***

Affiliates of MSWM may serve as the investment advisor or other service provider for certain funds or strategies offered in the Program and earn investment management fees for providing investment advisory services to such funds or strategies (or earn other fees for providing other services). As a result, we may have a potential conflict of interest in recommending these funds or strategies over others.

***Affiliated Sweep Investments.*** MSWM has a conflict of interest in selecting or recommending BDP or Money Market Funds as the Sweep Investment. See Item 5.C above for more information.

***Investments in Sweep Investments or Mutual Funds.*** As described in Item 1.C above, with respect to non-Retirement Account clients, MSWM or its affiliates earn greater compensation from mutual funds than from separate accounts. At times, a manager may believe that it is in a client's interest to maintain assets in cash, particularly for defensive purposes in volatile markets. The above-described Bank Deposit Program revenue and fees for money market funds for accounts of non-Retirement Account clients and other payments create a conflict of interest to the extent that the additional payments influence MSWM to recommend or select a strategy, model, manager, or investment style that favors cash balances.

Please note that the Financial Advisor does not receive any of the Bank Deposit Program revenue or fees from money market funds as described herein.

***Affiliated Managers.*** From time to time, we may offer managers in the CES program that are affiliated with us. Although some investment managers and/or some investment strategies may be available in more than one program, each program may offer investment managers and other features that are not available in other MSWM programs. The Client understands that we and

our affiliates will receive more aggregate fees when the Client selects a manager affiliated with us than if the Client selects a manager that is not affiliated with us. Thus, MSWM and its Financial Advisors have a conflict of interest when identifying affiliated managers to the Client. Client may choose only unaffiliated managers if it so desires. Similarly, if a manager is not affiliated with us but we have an ownership share in the manager, we and our Financial Advisors have a conflict of interest in identifying that manager to the Client because, as an owner, we benefit from the manager's profits.

**Nonpublic Information.** In the course of investment banking or other activities, MSWM, the managers, and each of their respective affiliates and 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, the managers, and each of their respective 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.

**Benefits to Financial Advisors.** Client understands that MSWM or Financial Advisors or employees of MSWM affiliates may receive a financial benefit from any manager in the form of compensation for trade executions for the accounts of the manager or accounts that are managed by such manager or through referrals of brokerage or investment advisory accounts to MSWM or to the Financial Advisor or employees of MSWM affiliates by such manager. These managers may include a manager recommended to clients by the Financial Advisor or employees of MSWM affiliates in any of the Consulting Group programs.

**Other Investment Products Available.** Client understands that managers may offer to the public other investment products such as mutual funds with similar investment styles and holdings as those investment products offered through the Consulting Group programs. Such products may be offered at differing fees and charges that may be higher or lower than the fees imposed by MSWM under a Consulting Group program.

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

**Block Trades.** Manager may direct some block trades to MSWM for execution, which blocks may include trades for other clients of MSWM and/or manager. 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.

**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 and Consulting Group Advisory Services LLC as well as Eaton Vance and its 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 5.C above for a description of cash sweep investments managed or held by related persons of MSWM.

#### **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.

LIBOR had been a widely used interest rate benchmark in bond, loan, and derivative contracts, as well as consumer lending instruments such as mortgages. However, as a result of concerns with the integrity of LIBOR and how it is determined, LIBOR will cease to be published and will be replaced by alternative reference rates.

Specifically, overnight and one-, three-, six- and 12-month USD LIBOR will no longer be published after June 30, 2023. However, regulators have indicated that the time until then is to be used only for managing existing LIBOR-based products. All settings for GBP, EUR, JPY and CHF LIBOR, and one-week and two-month settings for USD LIBOR, are no longer being published, although synthetic versions of GBP and JPY LIBOR rates will be published for a period of time. The committee convened by the U.S. Federal Reserve Board and the Federal Reserve Bank of New York, the Alternative Reference Rates Committee (ARRC), has selected SOFR as the recommended alternative benchmark rate to USD LIBOR.

The market transition away from LIBOR to alternative rates is complex and could have a range of impacts on financial products and transactions directly or indirectly linked to LIBOR. For example, 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. Documentation governing existing LIBOR-based products may contain “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 when LIBOR ceases. Clients utilizing hedging strategies may also face basis risk due to inconsistent fallback provisions in their various investments. Recently, federal legislation was signed into law that will provide for a SOFR-based rate plus a spread to replace LIBOR for those contracts without effective fallback provisions.

With respect to an investment in SOFR-linked products and products that will fallback to SOFR, you should understand the terms of the particular product 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 apply different market conventions to calculate interest and therefore these products have different risks and considerations.

Affiliates of MSWM participate on central bank committees that have been 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 and 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.

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

In the advisory programs described in this Brochure, MSWM recommends investment advisers to clients. Many of the investment advisers that are available in the MSWM advisory program provide conferences and other training sessions to the Financial Advisors.

In addition, certain investment advisers also manage Funds, alternative products, or act as a sub-adviser to Mutual Funds affiliated with MSWM. Since MSWM receives fees from the mutual fund or its adviser, MSWM has a conflict to recommend the mutual fund products instead of the investment adviser managing the account directly.

***Payments from Managers.*** Managers may also sponsor their own educational conferences and pay expenses of Financial Advisors attending these events. MSWM’s policies require that the training or educational portion of these conferences comprises substantially the entire event. Managers may sponsor educational meetings or seminars in which clients as well as Financial Advisors are invited to participate.

Managers are allowed to occasionally give nominal gifts to Financial Advisors, and to occasionally entertain Financial Advisors, subject to a limit of \$1,000 per employee per year. MSWM’s non-cash compensation policies set conditions for each of these types of payments, and do not permit any gifts or entertainment conditioned on achieving a sales target.

We address conflicts of interest by ensuring that any payments described in this “Payments from Managers” section do not relate to any particular transactions or investment made by MSWM clients with managers. Managers participating in programs described in this Brochure are not required to make any of these types of payments. The payments described in this section comply with FINRA rules relating to such activities. Please see the discussion under “Funds in Advisory Programs” in Item 5.C for more information.

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

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

The MSWM US 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 that 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 of Ethics from your Financial Advisor.

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

## **B. Trade Errors**

Whether made by MSWM, by agents acting on our behalf or otherwise in connection with your account, or by or on behalf of an Executing Sub-Manager, trade errors do occur from time to time. MSWM maintains policies and procedures to ensure timely detection, reporting, and resolution of trade errors involving client accounts. In general, once a trade error has been identified, we take prompt, corrective action, returning the client's account to the economic position it would be in absent the error. Once the trade error is resolved with respect to the client's account, the handling of any resulting gain or loss may vary depending on the circumstances and the specific type of error; typically, however, any net gain or loss is either booked to the relevant error account or, in certain situations resulting in a net gain, donated to the Morgan Stanley Foundation.

## **C. Securities in Which You or a Related Person Have a Material Financial Interest**

See "Cash Sweeps" in Item 5.C.

## **D. Investing and Other Interests in Securities Which You or a Related Person Recommend to Clients**

See the following in Item 10.C:

- "Trading or Issuing Securities in, or Linked to Securities in, Client Accounts"
- "Restrictions on Securities Transactions"
- "Research Reports"
- "Certain Trading Systems"
- "Transaction-Related Agreements with MS&Co., Citi and Affiliates"

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

See "Different Advice" in Item 10.C.

# **Item 12: Brokerage Practices**

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

MSWM does not recommend broker-dealers to effect client securities transactions. For the programs listed in this Brochure, securities are executed through MSWM.

For the programs described in this Brochure, we do not receive research or soft dollars, nor recommend other broker-dealers.

We offer, but do not recommend, request, or require clients to select directed brokerage as the option to pay their investment advisory program fees.

On request, you may use direct brokerage commissions to pay your MSWM advisory fee. As described above in Item 4.B, you enter into a separate agreement with each investment manager. Your investment manager, as per your direction, directs trades to MSWM. MSWM executes trades on a best execution basis and the commissions generated compensate MSWM and the Financial Advisor. Notwithstanding the commissions that pay for MSWM's investment advisory fee, you still pay your investment manager's fee.

If you select a manager with a high portfolio turnover ratio (executes many trades in the portfolio) you may pay an overall fee that is higher than if you negotiated an asset-based fee that is lower than the overall transaction costs.

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

Investment managers submit trade orders for all clients with the same strategy to MSWM. The investment manager decides how to allocate the trade orders. Please see your investment manager's ADV Brochure for more information. For the CES and IMS programs, please contact your manager to review any manager ADV Brochures.

# **Item 13: Review of Accounts**

## **Frequency and Nature of Review of Client Accounts or Financial Plans**

At account opening, your Financial Advisor and his or her Branch Manager (or the Branch Manager's designee) confirm that the account and the investment strategy are appropriate investments for you.

Your Financial Advisor is then responsible for reviewing your account on an ongoing basis. 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 manager is still appropriate for your needs.

Consulting Group's operations department conducts various checks on a periodic basis (e.g., inactive accounts).

See Item 15 "Custody" for a discussion of confirmations, account statements and periodic reviews.

### **Factors Prompting Review of Client Accounts other than a Periodic Review**

On an annual basis, your Financial Advisor will discuss with you if your investment criteria have changed. Additionally, if we downgrade your CES investment manager, we will generally discuss with you the options regarding a replacement investment manager.

### **Content and Frequency of Account Reports to Clients**

Unless you have appointed another custodian in a program where you may do so, MSWM is the custodian and 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. You may also receive mutual fund prospectuses, where appropriate.

We will provide periodic reviews of your account. These reviews show how your account investments have performed, either on an absolute basis or 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 access these reports in the online account service site, please go to:

<https://www.morganstanleyclientserv.com>, log on, and select "Account Documents". If, however, you would like to receive these reports by mail, please call 1-888-454-3965.

Please see Item 15 for a discussion "Custody" for additional details.

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

See "Payments from Managers" in Item 10.D above. MSWM may compensate affiliated and unrelated third parties for client referrals in accordance with Rule 206(4)-3 of the Advisers Act. If the client invests in an investment advisory program, the compensation paid to any such entity will typically consist of an ongoing cash payment stated as a percentage of

MSWM's advisory fee or a one-time flat fee, but may include cash payments determined in other ways.

## **Item 15: Custody**

**MSWM acts as custodian.** Unless you have appointed another custodian, MSWM is the custodian and 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. You may also receive mutual fund prospectuses, where appropriate. MSWM will maintain custody of all cash, securities and other assets in the account and the section titled "Cash Sweep" in Item 5.C below will apply to you.

We will provide periodic reviews of your account. These reviews show how your account investments have performed, either on an absolute basis or 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 ("Morgan Stanley Online"). To access these reports in Morgan Stanley Online, please go to:

<https://www.morganstanleyclientserv.com>, log on, and select "Accounts." If, however, you would like to receive these reports by mail, please call 1-888-454-3965.

We or our affiliates may provide the manager(s), confirmations of transactions in the account affected by us or our affiliates, and/or account statements, if a manager so requests or if required by law.

**MSWM does not act as custodian.** In the CES and IMS programs you have the option to retain a custodian other than MSWM. Your outside custodian ("Designated Custodian") will maintain custody of the cash, securities, and other investments in your account and will receive and credit to your 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 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.** Please see the section titled "Fees and Compensation" in Item 5 for details. Your Designated Custodian will advise you of your cash sweep options and the section titled "Cash Sweeps" in Item 5.C will not apply to you.

In general, in computing the MSWM Fee, we shall rely on information received from your Designated Custodian with respect to the value of assets in the account. If any information to be provided by the Designated 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.



*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 and in this Brochure 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.

*Account Statements.* You should arrange with the Designated Custodian to provide you and us with account statements at least quarterly, identifying the amount of funds and of each security in your account at the end of the reporting period and setting forth all transactions in your account during that period. You or your designee must notify MSWM promptly of any other changes in the account.

For trades executed through MSWM, we can provide you with copies of individual confirmations of transactions. We may also provide additional periodic reports. The election of delivery confirmations set forth in your Account Agreement.

By signing the Account Agreement, you acknowledge to us that MSWM shall have no responsibility or liability with respect to transmittal or safekeeping of such cash, securities, or other asset of the account, or the acts or omissions of the Designated Custodian or others with respect thereto. You will direct the Designated 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 Designated Custodian or any other person or entity (including access to online systems). You understand that the Designated Custodian will be liable to you pursuant to the terms of the custodian agreement and any other agreement that relates to the Designated Custodian's services to you.

MSWM will not be liable for any failure on your part to fulfill any of your obligations under your Client Agreement including any misrepresentation or omission with respect to arrangements you must make with, and information and instructions you must provide to, the Designated Custodian; (ii) any failure of the Designated 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 Designated Custodian to fulfill its obligations, including timely provision of any information that the Designated Custodian is required to provide to us.

By signing the brokerage agreement and Account Agreement, you also acknowledge to us that (i) you are authorized to retain the Designated 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 Designated 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 Designated Custodian with respect to the securities and funds held in your account. If you instruct the Designated Custodian or manager 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 your account and that we will no longer have any further obligation to act or give advice with respect to those assets.

## **Item 16: Investment Discretion**

In the programs described in this Brochure, we do not accept investment discretion.

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

For the programs described in this Brochure you may (i) authorize the manager to receive the proxy-related materials, annual reports, and other issuer-related materials for securities in the account and (ii) delegate to the manager the proxy voting rights for these securities (and, thereby, authorize the manager to further delegate these proxy voting rights to, or otherwise use services provided by, a third-party proxy voting or advisory service). If you do so and you are a Retirement Account subject to the provisions of ERISA, you hereby designate the manager as a "named fiduciary" (within the meaning of ERISA) with the authority to appoint and delegate a third-party proxy voting service satisfactory to the manager as "investment manager" (within the meaning of ERISA) for the limited purpose of voting proxies with respect to issuers of securities held in the account. Notwithstanding the above, you are responsible for taking action on any legal actions or administrative proceedings, including class actions and bankruptcies, effecting securities in your account and we will forward you related materials we receive. You can revoke your authorization and delegation later by giving us written notice in accordance with your Account Agreement.

Alternatively, you may expressly reserve the right for you (or another person you specify to us, not including MSWM) to receive the issuer-related materials and exercise the proxy voting rights for securities in your account.

Please note that MSWM does not accept proxy voting authority in the programs listed in this Brochure, or provide advice or take action with respect to legal proceedings (including bankruptcies) relating to the securities in your account, except to the extent required by law.

## **Item 18: Financial Information**

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

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

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



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

**Sweep Vehicles in Retirement Accounts** Retirement Accounts generally effect sweep transactions of 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 (available at:[http://www.morganstanley.com/wealth-investmentstrategies/pdf/BDP\\_disclosure.pdf](http://www.morganstanley.com/wealth-investmentstrategies/pdf/BDP_disclosure.pdf)).

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>Shareholder Service Fee</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%	0.25%	0.07%	0.72%	0.45%
MS U.S. Government Money Market Trust	0.15%	N/A	0.01%	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.