

Morgan Stanley

Form ADV, Part 2A Brochure

Morgan Stanley Investment Management Company

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August 3, 2023

This brochure (the “Brochure”) provides information about the qualifications and business practices of Morgan Stanley Investment Management Company (the “Adviser”, “MSIM Co”, “us”, or “we”). If you have any questions about the contents of this Brochure, please contact us at +65 6834 6800. We will provide you with a new Brochure as necessary based on changes or new information, at any time, without charge. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

The Adviser is a registered investment adviser. Registration of an investment adviser does not imply any level or skill or training. The oral and written communications of an Adviser provide you with information with which you can determine to hire or retain an Adviser.

Additional information about the Adviser is also available on the SEC’s website at www.adviserinfo.sec.gov

Item 2 Material Changes

This Brochure is dated August 3, 2023 and represents our other-than-annual updating Brochure. The following update has been made:

- Item 4 has been updated with a description of Morgan Stanley's completed acquisition of Morgan Stanley Investment Management (China) Co. Ltd, previously known as Morgan Stanley Huaxin Funds.

The following is a summary of material updates made in the annual amendment to this Brochure, dated March 31, 2023:

- Item 8 Methods of Analysis, Investment Strategies and Summary of Risk – certain strategy descriptions were updated and risk factor disclosures were updated and enhanced.
- Item 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading – disclosures regarding investments by separate investment departments were updated.

In addition to the material changes listed above, other enhancements were made throughout this Brochure.

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Item 4 Advisory Business

Morgan Stanley Investment Management Co (MSIM Co) and its advisory affiliates represent the investment management division of Morgan Stanley, a publicly held company ("Morgan Stanley"). We are a wholly owned subsidiary of Morgan Stanley, a corporation whose shares are publicly held and traded on the New York Stock Exchange under the symbol "MS". Morgan Stanley is a leading global financial services firm providing investment banking, securities, wealth management and investment management services. With offices in more than 41 countries, the Firm's employees serve clients worldwide including corporations, governments, institutions, and individuals.

Overview

For more than 40 years Morgan Stanley Investment Management (MSIM) has provided client-centric investment and risk-management solutions to a wide range of investors and institutions. Our clients include corporations, pension plans, intermediaries, sovereign wealth funds, central banks, endowments and foundations, governments, consultant partners, and retail investors worldwide. Investment strategies span the risk/return spectrum across geographies, investment styles and asset classes, including equity, fixed income, alternatives and private markets.

More than 20 investment teams are organized within six capabilities: Solutions & Multi-Asset, Real Assets, Active Fundamental Equity, Private Credit & Equity, Global Fixed Income and Global Liquidity. MSIM offers its clients the intelligence and creativity of some of the brightest professionals in the industry, and access to the global resources of Morgan Stanley.

The extensive range of MSIM's services and products reflects our continuous effort to provide products and services that help meet the needs of investors worldwide. Depending on the selected product or offering, our investment teams have the ability to customize solutions for clients, creating tailored approaches in the context of a full-service platform.

MSIM is dedicated to providing superior client service to investors worldwide. In addition to responding to client inquiries and providing timely portfolio analytics and commentary, we share knowledge with clients by organizing proprietary conferences and webcasts, and distributing a wide array of publications and thought leadership papers that highlight our firm's intellectual capital. We aim to empower our clients to make more informed investment decisions. The longevity of many of our client relationships testifies to our commitment to superior investment service and the productive partnerships we have cultivated throughout our history.

Morgan Stanley Investment Management Company ("MSIM Co"), established in 1990, is the local presence of the investment management division of Morgan Stanley Group in Singapore. MSIM Co was registered with the Securities and Exchange Commission ("SEC") under the Investment Advisers Act of 1940 (the "Advisers Act") in 2003.

MSIM Co is a client-centric organization dedicated to providing investment and risk-management solutions to investors worldwide. We manage assets for a range of clients, including:

- pension funds;
- governments;
- mutual funds and other pooled vehicles;
- insurance companies;
- sovereign wealth funds;
- central banks; and
- corporations

On July 17, 2023, Morgan Stanley completed its acquisition of Morgan Stanley Investment Management (China) Co. Ltd ("MSIM China", previously known as Morgan Stanley Huaxin Funds) [the "Acquisition"], an entity which Morgan Stanley had previously owned 49% under a joint venture arrangement since June 2008. Whilst there is no integration of services resulting from the Acquisition, certain investment teams within the MS Investment Department may receive research

services from MSIM China. However, it remains the discretion of each investment team to determine whether and to what extent to utilize the research information to make their respective investment decisions, and trading continues to be executed independently of one another.

Assets Under Management

As of December 31, 2022, MSIM Co has approximately \$25,613,703,370 in assets under management, all on a discretionary basis.

Item 5 Fees and Compensation

Management Fees

MSIM Co generally charges asset-based management fees in connection with the advisory services provided to an account. MSIM Co's standard fee schedule is attached as Appendix A. In certain instances, however, MSIM Co's fees and minimum initial investments could vary from the applicable fee schedule due to the particular circumstances of the client or as otherwise negotiated with particular clients. In certain instances, MSIM Co provides investment advisory or research services to clients for negotiated fixed fees based on the value of the services rendered and, from time to time, receives performance-based fees from clients in accordance with the particular client's agreement, except in those jurisdictions that do not allow fees based on performance. MSIM Co can also negotiate per-transaction fees with clients which are expressed as a percentage of the value of each account transaction. Depending upon the account's investment objectives, strategies and restrictions, holdings in a client's account could include real estate investment trusts ("REITS"), investment companies (including exchange traded funds or "ETFs"), collateralized loan obligations ("CLOs") and other pooled vehicles for which a separate management fee is charged, including investment companies and other pooled vehicles advised by MSIM Co or a related person.

Fees are generally billed quarterly in arrears based on current or quarter-average market values. Certain accounts, however, are billed quarterly in advance. The timing of fee payments and method of calculation for particular clients can vary in accordance with client preferences. Typically, MSIM Co's services are terminable by either party upon written notification in accordance with the applicable contractual notice provision. Upon termination the fees described above (including performance fees, if any) generally will be prorated to take account of contributions and withdrawals during a quarter and where MSIM Co does not manage the account for the entire calendar quarter.

The fees described herein are only the advisory fees charged by MSIM Co and do not reflect custodial or other fees that could be applicable to your account. Further discussion of such expenses appears below.

Item 12, "Brokerage Practices", further describes the factors that MSIM Co considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation.

Note that most of our investment advisory accounts are delegated to MSIM Co from an affiliated adviser. In such instances, clients should refer to the disclosure brochure of the applicable affiliated adviser for more information.

Asset Allocation

MSIM Co also provides asset allocation advice for fees that are negotiated and vary depending on a client's particular circumstances. In connection with this service, MSIM Co advises clients on a discretionary and non-discretionary basis as to the appropriate allocation of their assets among equity securities listed and/or traded in various Asian jurisdictions. As a diversified global financial services firm that engages in a broad spectrum of activities including financial advisory services, investment management activities, sponsoring and managing private investment funds, engaging in broker-dealer transactions and other activities, you should be aware that there will be occasions when Morgan Stanley could encounter potential conflicts of interest in connection with its investment management services.

The fee we charge for asset allocation advice is in addition to the fees we and our affiliates receive as adviser and/or administrator to certain open and closed end mutual funds (the "Morgan Stanley Funds") and other pooled vehicles in which we can invest your portfolio's assets. Otherwise, except as agreed, we generally do not charge advisory fees on separately managed client assets that are invested in the Morgan Stanley Funds in addition to the advisory fees that we charge to such Morgan Stanley Funds. Generally, fees billed to a separately managed client under the client's investment management contract will be reduced by the amount of any investment advisory fees (but not other fund level fees) that we receive from the Morgan Stanley Funds as a result of the client's investment in the Morgan Stanley Funds. Alternatively, in certain instances and/or in connection with investments in certain portfolios, assets invested in such portfolios will be excluded from the total assets for purposes of calculating the separate account fee. In those instances, clients will pay the advisory fee payable by the applicable Morgan Stanley Fund portfolio, which could be higher than the

fee generally payable under the investment management contract. In certain instances, we include the value of closed-end funds we manage, for purposes of determining the investment management fee payable to us.

Clients receiving asset allocation services should refer to their advisory agreement for more information regarding their specific arrangement.

Separately Managed Accounts

The fees we charge for separate account management services vary based on the particular circumstances of the client or as otherwise negotiated. Our services are terminable by either party in accordance with the applicable contractual notice provision. Generally, fees on separate accounts are billed quarterly in arrears, however, in some cases they are billed quarterly in advance. The timing of fee payments will vary in accordance with clients' preferences. In addition to being subject to the fees we charge, the portion of each client account that is invested in a fund will also bear a proportionate share of the advisory fees and other expenses of the fund; however, such fees and expenses can be waived and/or rebated at our discretion. In certain circumstances, separately managed accounts are invested in products sponsored or advised by our affiliates that carry product-level management fees and other expenses.

Expenses Charged to Clients/Fee Discounts

Depending upon the terms of particular arrangements with clients, we could select or recommend that certain service providers (including accountants, administrators, lenders, bankers, brokers, agents, attorneys, consultants, and investment or commercial banking firms) and/or their affiliates perform services for clients, the cost of which generally will be borne by the advisory client. These service providers, in some cases, also provide goods or services to or have business, personal, political, financial or other relationships with us or our affiliates. Such service providers could be investors in a fund, our affiliates, sources of investment opportunities or co-investors. These other services and relationships have the potential to influence us in deciding whether to select or recommend such a service provider to perform services for clients. Notwithstanding the foregoing, when making investment transactions on behalf of clients that require the use of a broker-dealer, we select broker-dealers for the execution of transactions, except where client instructions do not permit, in accordance with our duty to seek "best execution" (i.e., the most favorable overall price and execution) as detailed in "Best Execution and Brokerage Selection Factors" section of Item 12 "Brokerage Practices". In certain circumstances, service providers, or their affiliates, charge different rates or have different arrangements for services provided to Morgan Stanley, us or our affiliates as compared to services provided to the clients, which, at times, result in more favorable rates or arrangements for Morgan Stanley or our affiliates than those payable by our clients. From time to time, we will be required to decide whether and to what extent costs and expenses are borne by a client, us, allocated among more than one client, or allocated among one or more clients and us. When expenses apply to more than one client, we will exercise our reasonable judgment when making allocation determinations.

The fees and expenses borne by clients and investors will generally reduce returns.

Item 6 Performance-based Fees and Side-by-Side Management

In some cases, we have entered into performance fee arrangements with qualified clients. Such fees are subject to individualized negotiation with each such client.

Because portfolio managers often manage assets for other investment companies, pooled investment vehicles and/or other accounts (including accounts of institutional clients and pension plans), with different fee schedules, the portfolio manager has an incentive to favor higher paying clients or accounts where we or an affiliate receive a performance-based fee over other accounts. In addition, a conflict exists in situations where we have proprietary investments in certain accounts, where portfolio managers have personal investments in certain accounts or when certain accounts are investment options in our employee benefits and/or deferred compensation plans. Although this does not impact individual compensation, in such instances, the portfolio manager has an incentive to favor these accounts over others. A conflict of interest also exists with regard to the allocation of investment opportunities across accounts that pay performance-based fees as opposed to accounts that do not pay performance-based fees.

If we manage accounts that establish short exposure to a security, as well as accounts that maintain long exposure to the same security, and the short exposure causes the market value of the security to fall, we could be seen as benefitting the accounts with short exposure at the expense of harming the performance of other accounts that maintain long exposure in the security. The same conflict also exists at the asset class level.

To address these types of conflicts, we have adopted policies and procedures reasonably designed to assure that allocation decisions are not influenced by fee arrangements and investment opportunities will be allocated in a manner that we believe to be consistent with our obligations as an investment adviser. To further manage these types of conflicts, we have implemented Side-by-Side Management guidelines, which are designed to set out specific requirements regarding the side-by-side management of traditional investment portfolios (e.g., long-only portfolios) and alternative investment portfolios (e.g., hedge fund portfolios) in order to manage potential conflicts of interest, including without limitation, those associated with any differences in fee structures, investments in the alternative investment portfolios by MSIM or its employees and trading-related conflicts (including conflicts of interest that could also be raised when MSIM investment teams take conflicting (i.e., opposite direction) positions in the same or related securities for different accounts). In addition, we have established a Side-by-Side Management Subcommittee to help ensure that such conflicts are reviewed and managed appropriately. The Side-by-Side Management Subcommittee meets on a regular basis and is comprised of representatives from business areas and control functions. The responsibilities and duties of the Side-by-Side Management Subcommittee include, among other things, establishing and reviewing appropriate reporting to monitor and review investment and related activities in side-by-side management situations for the relevant business areas.

For additional information on allocation issues and our practices, please refer to Item 12 “Brokerage Practices.”

Item 7 Types of Clients

The Adviser provides advice to the following types of clients:

- Pension Funds;
- Governments;
- Mutual Funds and other pooled vehicles;
- Insurance Companies;
- Sovereign Wealth Funds;
- Central Banks; and
- Corporations.

Item 8 Methods of Analysis, Investment Strategies and Risk of Loss

We engage in the following significant Equity Investment Strategies:

Counterpoint Global

The Advantage Strategy seeks long-term capital appreciation. To achieve its objective, the investment team emphasizes a bottom-up stock selection process, seeking attractive investments on an individual company basis. In selecting securities for investment, the investment team typically invests in companies it believes have strong name recognition and sustainable competitive advantages with above average business visibility, the ability to deploy capital at high rates of return, strong balance sheets and an attractive risk/reward. This strategy exists on a U.S., and international basis (e.g., Advantage and International Advantage).

The Growth Strategy seeks long-term capital appreciation. To achieve its objective, the investment team seeks attractive investments on an individual company basis. In selecting securities for investment, the Adviser typically invests in unique companies it believes have sustainable competitive advantages with above average business visibility, the ability to deploy capital at high rates of return, strong balance sheets and an attractive risk/reward. The strategy exists across market capitalizations (e.g., Inception, Discovery, Insight, Global Insight and Growth).

The Global Opportunity team strategies seek long-term capital appreciation by investing in high quality companies that the investment team believes are undervalued at the time of purchase. To achieve its objective, the investment team seeks companies with sustainable competitive advantages that can be monetized through growth. The investment process integrates analysis of sustainability with respect to disruptive change, financial strength, environmental and social externalities and governance (also referred to as ESG). The strategies are available on a Global, Regional and Customizable basis.

Emerging Markets Equity

The Global Emerging Markets Equity Strategy is a core strategy with a growth bias that seeks attractive long-term, risk-adjusted returns by investing in emerging market equities. To achieve its objective, the strategy combines top-down country allocation with bottom-up stock selection and disciplined risk management. The strategy exists on a global basis as well as within regional and country specific emerging markets.

The Emerging Markets Leaders Strategy is a benchmark agnostic concentrated strategy of 25-40 stocks that seeks to invest in companies operating in emerging markets with superior business fundamentals, quality management, strong brands and the ability to deliver consistent earnings growth and increasing and consistent returns on invested capital. The team looks to diversify risk with balanced country and thematic exposures.

The China A-Shares Equity Strategy is a concentrated strategy focusing on long-term fundamental investment ideas. It seeks to invest in high-quality growth compounders at attractive valuations. We look to derive strong long-term returns from companies that benefit from structural growth, competitive industry advantage and financial strength. The strategy has strong bottom-up stock selection focus with deep-dive qualitative assessment and rigorous financial analysis.

International Equity

The Global Franchise Strategy is a concentrated portfolio of high quality, well managed companies at reasonable prices located throughout the world. Characterized by sustainable competitive advantages and powerful intangible assets, notably brands, networks, and licenses, these companies have high and stable returns on operating capital which the team believes can be sustained for the long term. Utilizing fundamental analysis and bottom-up stock selection, the strategy seeks to generate attractive long-term performance with reduced downside participation in challenging markets. This strategy is also available excluding issuers which invest in, or derive income from, tobacco products.

The Global Quality Strategy is a relatively concentrated, portfolio of high quality, well managed companies at reasonable prices located throughout the world. Characterized by sustainable competitive advantages and powerful intangible

assets, notably brands, networks and licenses, these companies have high and stable returns on operating capital which the team believes can be sustained for the long term. Utilizing fundamental analysis and bottom-up stock selection, the strategy seeks to generate attractive long-term performance with reduced downside participation in challenging markets. This strategy is also available excluding issuers which invest in, or derive income from, tobacco products.

The International Equity Strategy invests primarily in equity securities domiciled outside of the U.S. The strategy invests in a diversified portfolio of two types of stocks: attractively priced high quality compounders, companies characterized by high returns on capital and strong free cash flow generation and value opportunities, companies with reasonable and/or improving fundamentals; the mix of the two types of stocks varies over time based on attractive valuation and company prospects. The International Equity Strategy seeks to provide attractive returns over the long term by providing attractive absolute returns in rising markets while offering a measure of reduced downside participation in challenging markets. This strategy is also available with limited US exposure.

The Global Sustain Strategy is a high quality, ESG-integrated global equity portfolio that is strong on engagement, light on carbon and built on quality. The strategy invests in high-quality companies at reasonable valuations that can sustain their high returns on operating capital over the long term. The portfolio typically invests in intrinsically carbon-light companies and has a significantly lower carbon footprint than the broader market, with a robust carbon-related exclusions policy and filtering process. It has a number of exclusions including fossil fuels, tobacco, alcohol and weapons. The investment team views long-term portfolio manager-led engagement as a critical underpinning to an active investment process. The strategy seeks to provide attractive long-term returns with less long-term volatility than the broader market.

Global Listed Real Assets

The Global Real Estate Securities Strategy seeks attractive long-term, risk-adjusted returns by utilizing internal proprietary research to invest in public real estate companies that we believe offer the best value relative to their underlying assets and earnings. The strategy utilizes a bottom up approach, valuing each security within the investment universe to arrive at an estimate of net asset value and forward cash flows. The team assesses real estate specific factors, broader equity factors, as well as environmental, social and governance factors in its fundamental analysis in order to calculate appropriate valuation metrics.

The team incorporates top-down considerations into the portfolio construction process and seeks to achieve diversified exposure across regions, countries and/or sectors and integrate forecasted fundamental inflections, macroeconomic considerations, geopolitical and country risk assessments, among other factors. This strategy is available on a global, international and regional basis (e.g., U.S., North America, Europe, and Asia) and on a sustainable basis with an increased emphasis on ESG considerations integration and engagement.

The Global Focus Real Estate Securities strategy invests in a high-conviction, focused portfolio of primarily equity securities of companies in the global real estate industry that may offer the best expected total returns. The strategy implements a disciplined, bottom-up, fundamentally-driven investment methodology and invests in companies which the team believes have the best forward total return potential based upon relative valuation. The team assesses real estate specific factors, broader equity factors, as well as environmental, social and governance factors in its fundamental analysis in order to calculate appropriate valuation metrics. The team incorporates top-down considerations into the portfolio construction process and seeks to achieve exposure across regions, countries and/or sectors and integrate forecasted fundamental inflections, macroeconomic considerations, geopolitical and country risk assessments, among other factors. The team actively selects positions in a limited number of equity securities. The strategy is available on a global, international and regional basis (e.g., U.S., North America, Europe and Asia) and on a sustainable basis with an increased emphasis on ESG considerations, integration and engagement.

The Global Infrastructure Securities Strategy seeks attractive long-term, risk-adjusted returns by investing in publicly traded infrastructure securities that offer exposure to the direct infrastructure markets at the best value relative to underlying asset values and growth prospects worldwide. The investment team utilizes proprietary research to drive a long-term, value-oriented, bottom-up driven investment process and also incorporates top-down analyses.

The Energy Transition and Innovation Opportunities Strategy seeks attractive long-term, risk-adjusted returns by investing in publicly traded securities that offer exposure to energy transition and other innovation opportunities at the best value relative to underlying intrinsic value and growth prospects worldwide. The investment team utilizes proprietary research to drive a long-term, bottom-up oriented investment process and also incorporates top-down analyses, as well as a positive environmental impact.

Global Balanced Risk Control (GBaR)

The Global Balanced Risk Control (GBaR) team follows a top-down global asset allocation approach, investing in equities, fixed income, commodity-linked investments and cash, within a clearly-defined, risk-controlled framework. It aims to provide capital growth over time, while actively managing total portfolio risk, which is defined in terms of volatility or value-at-risk (VaR). Customized strategies for the team are available across a range of risk targets.

Global Multi-Asset

The Global Tactical Asset Allocation Strategy seeks to achieve total return by investing in a blend of equity and fixed income securities of U.S. and non-U.S. issuers. It is a global macro strategy that seeks to identify and exploit inefficiencies between markets, regions, and sectors to deliver returns in excess of a customized financial benchmark. In seeking to achieve this investment objective, the strategy utilizes a global tactical approach to achieving total return, and to control risk and volatility.

We engage in the following significant Fixed Income Investment Strategies:

The Fixed Income Strategies combine a top-down assessment of the bond universe with rigorous bottom-up fundamental and/or quantitative analysis.

The process begins with a top-down value assessment of the bond universe, including a consideration of macroeconomic conditions, business cycles, and relative valuations. The team seeks first to identify areas where implied market forecasts are out of line relative to historic trends and second, to identify what the catalyst will be for the market to adjust, and for the sector to revalue. From these assessments, the Asset Allocation team sets the broad overall investment direction. Portfolio managers subsequently work with our research analysts to implement these ideas across fixed income portfolios, in accordance with each portfolio's objectives and guidelines.

Macro Analysis - The team seeks to determine which themes are driving asset prices across rates, countries, and currencies and to evaluate the investment opportunity set based on a thematic investment thesis. The top-down process uses a combination of fundamental and quantitative analysis to identify and evaluate these investment opportunities.

Asset Allocation - The primary role of asset allocation is to identify the key drivers of fixed income markets and to determine the relative attractiveness of each sector of the fixed income market, together with interest rate and currency positions. The team seeks first to identify areas where implied market forecasts are out of line relative to historic trends and second, to identify the catalyst for the market to adjust. Internal debate is a key feature of the team's investment philosophy, ensuring investment ideas are tested thoroughly. The team debates relative value across sectors and recommends broad strategy. The team believes this creates a balanced and complete approach, ensuring that all fixed income asset classes are evaluated. Crucially, the team examines correlations and risks across fixed income markets. Ultimately, the team aims to identify the investments with the best risk/reward profile to implement our investment themes.

Research - Research is conducted by dedicated teams specializing in a particular sector of the fixed income market. The research teams use in-depth fundamental analysis, complemented by quantitative tools, to generate bottom-up investment ideas.

The teams' commitment to research is exemplified by the integration of their research and portfolio management teams, which ensures that their research findings are incorporated in their portfolio management activities. The portfolio managers and research analysts interact daily through informal meetings and regularly scheduled formal meetings

throughout the week. This provides a robust forum for debate, review and implementation of investment ideas. Research analysts provide support to the portfolio managers, as well as critical input to the investment decision-making process.

Portfolio Construction - Portfolio managers are responsible for implementing the investment strategies. They work to construct each portfolio in a way that conforms to individual client/strategy guidelines and objectives. The portfolio managers work with the research analysts on bottom-up security selection ideas. This ensures that portfolios are both consistently benefiting from the team's best investment ideas and adhering to client guidelines and risk/return objectives.

Emerging Markets Debt

The Emerging Markets Local Income Strategy is a value-oriented fixed income strategy that seeks high total return from income and price appreciation by investing in a range of sovereign, quasi-sovereign and corporate debt securities in emerging markets. Investments are mostly denominated in emerging market and/or non-U.S. currencies. To achieve its objective, the strategy combines top-down country allocation with bottom-up security selection. All investment recommendations undergo peer review, and final decisions with respect to portfolio construction and market-risk exposure are made on a team basis.

The Emerging Markets Debt Hard Currency Strategy is a value-oriented fixed income strategy that seeks high total return from income and price appreciation by investing in a range of sovereign, quasi-sovereign and corporate debt securities in emerging markets. Investments are mostly denominated in U.S. currency, and, to a lesser extent, in non-U.S. and/or local currencies. To achieve its objective, the strategy combines top-down country allocation with bottom-up security selection.

The Emerging Markets Debt Opportunities Strategy seeks high total return from income and price appreciation by investing in a range of sovereign, quasi-sovereign and corporate debt securities in emerging markets, which can include U.S. dollar-denominated, local currency, and corporate debt securities. We believe that emerging markets experiencing positive fundamental change could present attractive investment opportunities for investors. To help achieve its objective, the strategy combines top-down country allocation with bottom-up security selection.

The Emerging Markets Corporate Debt Strategy is a value-oriented fixed income strategy that seeks to maximize total return from income and price appreciation by primarily investing across the credit spectrum in the debt securities of emerging market corporate issuers. Investments are mostly denominated in U.S. currency and include non-U.S. and/or local currencies. To achieve its objective, the team follows a disciplined investment process that combines top-down country allocation with bottom-up credit analysis to identify undervalued emerging market corporate debt securities. All investment recommendations undergo peer review, and final decisions with respect to portfolio construction and market-risk exposure are made on a team basis.

Broad Markets Fixed Income

The Global Aggregate Strategy seeks attractive total returns from income and price appreciation by investing in a globally diversified portfolio of multicurrency debt issued by government and non-government issuers. To help achieve this objective, the strategy combines a top-down macroeconomic assessment, with rigorous bottom-up fundamental analysis and active currency management (where appropriate).

The Global Fixed Income Opportunities Strategy seeks attractive total return in any market cycle. The strategy maximizes the benefits of its global approach across all the sub-asset classes in Fixed Income to ensure "best ideas" are included. It focuses on absolute and risk-adjusted return over tracking error and benchmark, investing across currency, credit and interest rate markets. The strategy includes exposures to asset classes such as emerging markets, high yield, ABS/MBS, and convertibles.

The Global Sovereign Strategy seeks attractive total returns from income and price appreciation by investing in a globally diversified portfolio of multicurrency debt issued by government issuers. To help achieve this objective, the strategy combines a top-down macroeconomic assessment, with rigorous bottom-up fundamental analysis and active currency management (where appropriate).

The Strategic Income Strategy invests in fixed income securities across a spectrum of asset classes including, investment-grade, emerging markets, high yield, ABS/MBS, and convertibles. The Portfolio's unconstrained approach provides the flexibility to allocate across fixed income sectors and seek the best ideas through bottom-up security selection globally. It focuses on absolute and risk-adjusted return over tracking error and benchmark, investing across currency, credit and interest rate markets. The aim is also to construct a portfolio with less sensitivity to interest rate movements and the potential to capture positive returns across varying interest rate environments.

The Global Credit Strategy seeks attractive total returns from income and price appreciation by investing in a globally diversified portfolio of multi-currency debt issued by corporations and nongovernment related issuers. To help achieve this objective, the strategy combines a top-down macroeconomic assessment to determine optimal beta positioning for the portfolio with rigorous bottom-up fundamental analysis.

The Investment Grade Corporate Strategy is a value-oriented fixed income strategy that seeks attractive total returns from income and price appreciation by investing in a diversified portfolio of predominantly investment grade debt issued by corporations and other non-government issuers. To help achieve this objective, the strategy combines a top-down macroeconomic assessment, to determine optimal beta positioning for the portfolio, with rigorous bottom-up fundamental analysis.

High Yield

The Global High Yield Strategy is an active, value-oriented fixed income strategy that seeks to maximize total returns from income and price appreciation by investing in a globally diversified portfolio of debt issued by corporations and non-government issuers. The strategy utilizes a bottom-up credit intensive approach that looks for relative value opportunities, integrated with top-down macro analysis.

Sustainable Investing Strategies and ESG Integration

ESG and sustainability considerations are integral to the investment process and are demonstrated in areas such as research, valuation, and portfolio construction. Certain investment teams deploy a variety of analytical and portfolio construction approaches that extend beyond ESG considerations. Those can include the use of exclusionary screens (e.g., "sin" stocks, fossil fuels) and inclusionary screens (e.g., minimum sustainability standards, intentional tilts toward sustainability factors, and/or minority allocations to thematic labeled/certified securities), as well as pure-play impact investing strategies that seek to achieve measurable positive social and/or environmental objectives alongside market-rate financial return and strive for portfolio-wide transformational targets.

The specific approaches to incorporating ESG considerations vary considerably across the broad investment strategies summarized above and could also be different among products within any single strategy. The approach to ESG and sustainable investing depends on multiple factors including, but not limited to, the objectives of the product, asset class and investment time horizon, as well as the specific research and portfolio construction, philosophy and process used by that team. Some investment strategies do not incorporate ESG considerations where it is not currently feasible or appropriate to do so (e.g., passive investment strategies, certain asset allocation strategies, or where requested by clients). Clients and investors should consult their product description, offering documentation, investment guidelines or other product-specific information, or should otherwise confer with their contact at MSIM Co, in order to understand the specific nature of how ESG considerations are incorporated into each particular investment strategy that MSIM Co manages for them.

Risk Considerations

All investing and trading activities risk the loss of capital. Although we will attempt to moderate these risks, no assurance can be given that the investment activities of an account or fund we advise will achieve the investment objectives of such account or fund or avoid losses. Direct and indirect investing in securities involves risk of loss that you should be prepared to bear.

Set forth below are some of the material risk factors that are often associated with the types of investment strategies and techniques and types of securities relevant to many of our clients. The information included in this Brochure does not include every potential risk associated with an investment strategy, technique or type of security applicable to a particular client account. Clients are urged to ask questions regarding risks applicable to a particular strategy or investment product, read all product-specific risk disclosures and consult with their own legal, tax and financial advisors to determine whether a particular investment strategy or type of security is suitable for their account in light of their specific circumstances, investment objectives and financial situation.

Risk Considerations Associated with Investing - In General. The following is a non-exhaustive description of risks associated with investments generally and/or could apply to one or more type of security or investment technique.

- **General Economic, Geopolitical, and Market Risks.** The success of our investment strategies, processes, and methods of analysis, as well as any account's activities, can be affected by general economic, geopolitical, and market conditions, such as changes in interest rates, availability of credit, inflation rates, global demand for particular products or resources, natural disasters, supply chain disruptions, cybersecurity events, economic uncertainty, pandemics, epidemics (e.g. COVID- 19), terrorism, social and political discord, war (including regional armed conflict), debt crises and downgrades, regulatory events, governmental or quasi-governmental actions, changes in laws, and national and international political circumstances.

These factors create uncertainty, and can ultimately result in, among other things: increased volatility in the financial markets for securities, derivatives, loans, credit and currency; a decrease in the reliability of market prices and difficulty in valuing assets, greater fluctuations in spreads on debt investments and currency exchange rates; increased risk of default (by both government and private obligors and issuers); further social, economic, and political instability; nationalization of private enterprise; greater governmental involvement in the economy or in social factors that impact the economy; changes to governmental regulation and supervision of the securities, loan, derivatives and currency markets and market participants, and decreased or revised monitoring of such markets by governments or self-regulatory organizations and reduced enforcement of regulations; limitations on the activities of investors in such markets; controls or restrictions on foreign investment, capital controls and limitations on repatriation of invested capital; the significant loss of liquidity and the inability to purchase, sell and otherwise fund investments or settle transactions (including, but not limited to, a market freeze); unavailability of currency hedging techniques; substantial, and in some periods extremely high, rates of inflation, which can last many years and have substantial negative effects on credit and securities markets as well as the economy as a whole; recessions; and difficulties in obtaining and/or enforcing legal judgments. These conditions can adversely affect the level and volatility of prices and liquidity of an account's investments. Unexpected volatility or lack of liquidity, such as the general market conditions that have prevailed recently, could impair an account's profitability or result in losses.

Economies and financial markets worldwide are becoming increasingly interconnected, which increases the likelihood that events or conditions in one country or region will adversely impact markets or issuers in other countries or regions. The impacts of these events can be exacerbated by failures of governments and societies to respond adequately to an emerging event or threat. For example, local or regional armed conflicts have led to significant sanctions against certain countries and persons and companies connected with certain countries by the United States, Europe and other countries. Such armed conflicts and sanctions and other local or regional developments can exacerbate global supply and pricing issues, particularly those related to oil and gas, and result in other adverse developments and circumstances, as well as increased general uncertainty, for markets, economies, issuers, businesses and societies globally. Although these types of events have occurred and could also occur in the future, it is difficult to predict when similar events or conditions affecting the U.S. or global financial markets and economies might occur, the effects of such events or conditions, potential retaliations in response to sanctions or similar actions and the duration or ultimate impact of those events. Any such events or conditions could have a significant adverse impact on the value and risk profile of client portfolios and the liquidity of an account's investments, even for clients without direct exposure to the specific geographies, markets, countries or persons involved in an armed conflict or subject to sanctions.

- **Coronavirus and Public Health Emergencies.** As of the date of this brochure, COVID-19 continues to result in illness and deaths, adversely impacting global commercial activity and contributing to significant volatility in certain equity, debt, derivatives and commodities markets. The global impact of the outbreak remains uncertain, and many countries, cities, and other local municipalities have reacted by instituting (or strongly encouraging) quarantines, prohibitions on travel, the closure of offices, businesses, schools, retail stores, restaurants, hotels, courts and other public venues, and other restrictive measures designed to help slow the spread of COVID-19. Businesses are also implementing similar precautionary measures. While these measures have evolved as circumstances change, the general uncertainty surrounding the dangers and impact of COVID-19 continue to create, significant disruption to consumer demand, economic output and supply chains, particularly in relation to transportation, hospitality, tourism, entertainment and other industries. As new strains of COVID-19 emerge, governments and businesses could reinstate or take new measures to help combat the virus. Some variations of COVID-19 have (i) increased the rate at which the virus spreads and, in some cases, the severity of infections and (ii) impacted the efficacy of vaccines that have been developed, prolonging and in some cases increasing economic disruption. For these reasons, among others, as COVID-19 continues to evolve, the potential impacts, including a global, regional or other economic recession, are uncertain and difficult to assess. The duration and extent of COVID-19 and associated economic and market conditions and uncertainty over the long term cannot be reasonably estimated at this time. The ultimate impact of COVID-19 and the extent to which the associated conditions could impact a portfolio will also depend on future developments, which are highly uncertain, difficult to accurately predict and subject to change at any time.

This outbreak has resulted in, and until fully resolved is likely to continue to result in, the following among other things: (i) government imposition of various forms of “stay at home” orders and the closing of “non-essential” businesses, resulting in significant disruption to the businesses of many portfolio companies, including supply chains, demand, and practical aspects of their operations, as well as in lay-offs of employees, and, while these effects are hoped to be temporary, some effects could be persistent or even permanent; (ii) increased demand for liquidity by investors; (iii) with respect to debt issuances, increased requests by borrowers for amendments and waivers of their credit agreements to avoid default, increased defaults by such borrowers and/or increased difficulty in obtaining refinancing at the maturity dates of their loans; (iv) volatility and disruption of financial markets including greater volatility in pricing and spreads and difficulty in valuing investments during periods of increased volatility, and liquidity issues; and (v) rapidly evolving proposals and/or actions by local, state and federal governments to address problems being experienced by the markets and by businesses and the economy in general, which will not necessarily adequately address the problems facing financial markets and businesses broadly.

Any public health emergency, including any outbreak of COVID-19, SARS, H1N1/09 flu, avian flu, other coronavirus, Ebola or other existing or new epidemic diseases, or the threat thereof, could have a material and adverse impact on the value and performance of the portfolios we manage, our ability to source, manage, and divest investments, and our ability to fulfill the investment objectives of the accounts we manage, all of which could result in significant losses to a client.

The extent of the impact of any public health emergency on a portfolio's and its investments' operational and financial performance will depend on many factors, including the duration and scope of such public health emergency, the scope of any related travel advisories and restrictions implemented, the impact of such public health emergency on overall supply and demand, goods and services, investor liquidity, consumer confidence and spending levels, and levels of economic activity and the extent of its disruption to important global, regional and local supply chains and economic markets, all of which are highly uncertain and cannot be predicted. In addition, the operations of MSIM Co, as well as those of any investment vehicles we manage and their underlying portfolio companies, could be significantly impacted, or even temporarily or permanently halted, as a result of government quarantine measures, voluntary and precautionary restrictions on travel or meetings and other factors related to a public health emergency, including its potential adverse impact on the health of the personnel of any such entity or the personnel of any such entity's key service providers.

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- **Volatility Risk.** The prices of commodities contracts and all derivatives, including futures and options, can be highly volatile. Accounts that trade in commodities contracts and derivatives are subject to the risk that trading activity in such securities could be dramatically reduced or cease at any time, whether due to general market turmoil, problems experienced by a single issuer or a market sector or other factors. If trading in particular securities or classes of securities is impaired, it might be difficult for an account to properly value any of its assets represented by such securities.
 - **Inadequate Return Risk.** No assurance can be given that the returns will be commensurate with the risk of your investment. You should not commit money to an account unless you have the resources to sustain the loss of your entire investment. Any losses are borne solely by you and not by us or our affiliates.
 - **Inside Information Risk.** From time to time, we could come into possession of material, non-public information concerning an entity in which an account has invested or proposes to invest. Possession of that information could limit our ability to buy or sell securities of the entity on your behalf.
 - **Cyber Security-Related Risk.** We are susceptible to cyber security risks that include, among other things, theft, unauthorized monitoring, release, misuse, loss, destruction or corruption of confidential and highly restricted data; denial of service attacks; unauthorized access to relevant systems, compromises to networks or devices that we and our service providers, if applicable, use to service our client accounts; or operational disruption or failures in the physical infrastructure or operating systems that support us or our service providers, if applicable. Cyber-attacks against, or security breakdowns of, us or our service providers, if applicable, could adversely impact us and our clients, potentially resulting in, among other things, financial losses; our inability to transact business on behalf of our clients; data loss; regulatory fines, penalties, reputational damage, reimbursement or other compensation costs; and/or additional compliance costs. We could incur additional costs related to cyber security risk management and remediation. In addition, cyber security risks can also impact issuers of securities in which we invest on behalf of our clients, which could cause our clients' investment in such issuers to lose value. There can be no assurance that we or our service providers, if applicable, will not suffer losses relating to cyber-attacks or other information security breaches in the future. While we have established business continuity and risk management systems seeking to address system breaches or failures, there are inherent limitations in such plans and systems.
 - **Business Continuity Risk.** MSIM Co has developed a Business Continuity Program (the "BC Program") that is designed to minimize the impact of adverse events that affect MSIM Co's or its affiliates' ability to carry on normal business operations. Such adverse events include, but are not limited to, cyber events, natural disasters, outbreaks of pandemic and epidemic diseases (such as the current COVID-19 pandemic), terrorism, acts of governments, any act of declared or undeclared war, power shortages or failures, utility or communication failure or delays, shortages, and system failures or malfunctions. While MSIM Co believes the BC Program should allow it to resume normal business operations in a timely manner following an adverse event, there are inherent limitations in such programs, including the possibility that the BC Program does not anticipate all contingencies or procedures do not work as intended. Vendors and service providers to MSIM Co and its affiliates could also be affected by adverse events and are subject to the same risks that their respective business continuity plans do not cover all contingencies. In the event the BC Program at MSIM Co or similar programs at vendors and service providers do not adequately address all contingencies, client portfolios could be negatively affected as there might be an inability to process transactions, calculate net asset values, value client investments, or disruptions to trading in client accounts. A client's ability to recover any losses or expenses it incurs as a result of a disruption of business operations could be limited by the liability, standard of care, and related provisions in its contractual agreements with MSIM Co and other service providers.
 - **Data Source Risk.** MSIM Co subscribes to a variety of third-party data sources that are used to evaluate, analyze and formulate investment decisions. If a third party provides inaccurate data, client accounts could be negatively affected. While MSIM Co believes the third-party data sources are reliable, there are no guarantees that data will be accurate.

Legal and Regulatory Risks

- U.S. and non-U.S. governmental agencies and other regulators regularly implement additional regulations and legislators pass new laws that affect the investments held by MSIM Co's clients, the strategies used by MSIM Co, or the level of regulation or taxation applying to a portfolio or client (such as regulations related to investments in derivatives and other transactions). These regulations and laws impact the investment strategies, performance costs, operations or taxation of MSIM Co and its clients.
- The regulation of the U.S. and non-U.S. securities and futures markets has undergone substantial change over the past decade and such change could continue. In particular, in light of market turmoil there have been numerous proposals, including bills that have been introduced in the U.S. Congress, for substantial revisions to the regulation of financial institutions generally. In addition, regulatory change in the past few years has significantly altered the regulation of commodity interests and comprehensively regulated the OTC derivatives markets for the first time in the United States. Further, the practice of short selling has been the subject of numerous temporary restrictions, and similar restrictions could be promulgated at any time. Such restrictions could adversely affect the returns of accounts that utilize short selling. The effect of such regulatory change on the accounts, while impossible to predict, could be substantial and adverse.
- Section 13 of the Bank Holding Company Act (commonly referred to as the "Volcker Rule"), along with regulations issued by the Federal Reserve, Office of the Comptroller of the Currency, Securities and Exchange Commission, Federal Deposit Insurance Corporation, and Commodity Futures Trading Commission ("Implementing Regulations") generally prohibit "banking entities" (which term includes bank holding companies and their affiliates and subsidiaries) from investing in, sponsoring, or having certain types of relationships with, certain private investment funds (referred to in the Implementing Regulations as "covered funds").

The Volcker Rule and the Implementing Regulations impose a number of restrictions on Morgan Stanley and its affiliates and subsidiaries that affect us, a covered fund offered by us, the general partner of those funds, and the limited partners of such funds. For example, to sponsor and invest in certain covered funds, Morgan Stanley must comply with the Implementing Regulations' "asset management" exemption to the Volcker Rule's prohibition on sponsoring and investing in covered funds. Under this exemption, the investments made by Morgan Stanley (aggregated with certain affiliate and employee investments) in a covered fund must not exceed 3% of the covered fund's outstanding ownership interests and Morgan Stanley's aggregate investment in covered funds does not exceed 3% of Morgan Stanley's Tier I capital. In addition, the Volcker Rule and the Implementing Regulations generally prohibit Morgan Stanley and its affiliates from entering in certain other transactions (including "covered transactions" as defined in Section 23A of the U.S. Federal Reserve Act, as amended) with or for the benefit of, covered funds that it sponsors or advises. For example, Morgan Stanley might not provide loans, hedging transactions with extensions of credit or other credit support to covered funds it advises. While we endeavor to minimize the impact on our covered funds and the assets held by them, Morgan Stanley's interests in determining what actions to take in complying with the Volcker Rule and the Implementing Regulations could conflict with our interests and the interests of the private funds, the general partner and the limited partners of the private funds, all of which could be adversely affected by such actions. The foregoing is not an exhaustive discussion of the potential risks the Volcker Rule poses for us.

- Withdrawal of the United Kingdom (UK) from the European Union (EU). In an advisory referendum held in June 2016, the United Kingdom ("UK") electorate voted to leave the EU, an event widely referred to as "Brexit". On January 31, 2020, the UK officially withdrew from the EU and the UK entered a transition period which ended on December 31, 2020. On December 30, 2020, the EU and UK signed the EU-UK Trade and Cooperation Agreement ("TCA"), an agreement on the terms governing certain aspects of the EU's and the UK's relationship following the end of the transition period. Notwithstanding the TCA, following the transition period, there is likely to be considerable uncertainties in the financial and other markets as to the UK's relationship with the EU, and such uncertainties could continue.

EU laws have been onshored into UK law and these onshored transposed laws will fully apply from April 1, 2022. These onshored laws might be repealed, replaced or amended over time under the future regulatory framework. There can be no assurance that the onshored laws will not be subject to substantial amendments in the future. UK law could diverge from the corresponding provisions of EU law. It is impossible at this time to predict the consequences of this divergence on the operations, financial condition or investment returns of the MSIM Co clients and/or MSIM Co in general. These events, subsequent developments and future consequences of Brexit lie outside of the control of MSIM Co and their impact cannot be reliably predicted.

Accounts and pooled investment vehicles advised by MSIM Co could make investments in the UK, other EU member states and in non-EU countries that are directly or indirectly affected by the exit of the UK from the EU and the end of the transition period. Adverse legal, regulatory or economic conditions affecting the economies of the countries in which an MSIM Co client conducts its business (including making investments) and any corresponding deterioration in global macro-economic conditions could have a material adverse effect on the MSIM Co client's prospects and/or returns. Potential consequences to which an MSIM Co client could be exposed, directly or indirectly, as a result of the UK leaving the EU include, but are not limited to, reduced access to EU markets, market dislocations, economic and financial instability in the UK and EU member states, increased volatility and reduced liquidity in financial markets, reduced availability of capital, an adverse effect on investor and market sentiment, Sterling and Euro destabilization, reduced deal flow in the MSIM Co client's target markets, increased counterparty risk and regulatory, legal and compliance uncertainties. Any of the foregoing or similar risks could have a material adverse effect on the operations, financial condition, returns, or prospects of the MSIM Co client, MSIM Co and/or sub-advisers, if any, in general. The effects on the UK, European and global economies of the exit of the UK (and/or other EU member states during the term of the MSIM Co client) from the EU, or the exit of other EU member states from the European monetary area and/or the redenomination of financial instruments from the Euro to a different currency, are impossible to predict and to protect fully against.

- In light of current market conditions, until recently interest rates and bond yields in the United States and many other countries were at or near historic lows, and in some cases, such rates and yields were negative. During periods of very low or negative interest rates, a client's susceptibility to interest rate risk (i.e., the risks associated with changes in interest rates) could be magnified, its yield and income could be diminished and its performance could be adversely affected (e.g., during periods of very low or negative interest rates, a client might be unable to maintain positive returns). These levels of interest rates (or negative interest rates) can magnify the risks associated with rising interest rates. Changing interest rates, including rates that fall below zero, can have unpredictable effects on markets, including market volatility and reduced liquidity, and could adversely affect a portfolio's yield, income and performance.
- Recently proposed rules by the SEC related to private funds would, if adopted, impose significant additional burdens and requirements on private funds and their managers (including us, our private funds and any funds in which they invest and their managers).

Risk Considerations Associated with Equity Securities—In General. In general, prices of equity securities are more volatile than those of fixed income securities. The value of equity securities and related instruments can decline in response to adverse changes in the economy or the economic outlook; deterioration in investor sentiment; interest rate, currency, and commodity price fluctuations; adverse geopolitical, social or environmental developments; issuer and sector-specific considerations, which are more significant in a concentrated or focused client portfolio that invests in a limited number of securities; or other factors. Market conditions can affect certain types of stocks to a greater extent than other types of stocks. If the stock market declines in value, the value of a client portfolio's equity securities will also likely decline. Although prices can rebound, there is no assurance that values will return to previous levels.

Risk Considerations Associated with Fixed Income Securities—In General. Fixed income securities are subject to the risk of the issuer's inability to meet principal and interest payments on its obligations (i.e., credit risk) and are subject to price volatility resulting from, among other things, interest rate sensitivity (i.e., interest rate risk), market perception of the creditworthiness of the issuer and general market liquidity (i.e., market risk). A client could face heightened level of

interest rate risk in times of monetary policy change and/or uncertainty, such as when the Federal Reserve Board adjusts its quantitative easing program and/or changes rates. A changing interest rate environment increases certain risks, including the potential for periods of volatility, increased redemptions, shortened durations (i.e., prepayment risk) and extended durations (i.e., extension risk). Clients might or might not be limited as to the maturities (when a debt security provides its final payment) or durations (measure of interest rate sensitivity) of the securities in which they invest. Securities with longer durations are likely to be more sensitive to changes in interest rates, generally making them more volatile than securities with shorter durations. Lower-rated fixed income securities have greater volatility because there is less certainty that principal and interest payments will be made as scheduled. In addition, an account might or might not invest in securities that are rated below investment grade, commonly known as “junk bonds,” and have speculative risk characteristics. Changes in economic conditions or other circumstances typically have a greater effect on the ability of issuers of lower rated investments to make principal and interest payments than they do on issuers of higher rated investments. An economic downturn generally leads to a higher non-payment rate, and a lower rated investment can lose significant value before a default occurs. Lower rated investments typically are subject to greater price volatility and illiquidity than higher rated investments. An account might be subject to certain liquidity risks that can result from, among other things, the lack of an active market and the reduced number and capacity of traditional market participants to make a market in fixed income securities.

- **Credit Risk.** Credit risk refers to the possibility that the issuer or guarantor of a security will be unable or unwilling or perceived to be unable or unwilling to make interest payments and/or repay the principal on its debt. Debt obligations are subject to the risk of non-payment of scheduled principal and interest. Changes in economic conditions or other circumstances might reduce the capacity of the party obligated to make principal and interest payments on such instruments and could lead to defaults. Such non-payments and defaults could reduce the value of, or income distributions from, a client portfolio. The risk of defaults across issuers and/or counterparties increases in adverse market and economic conditions. The value of a fixed income security also can decline because of concerns about the issuer's ability to make principal and interest payments. In addition, the credit ratings of debt obligations might be lowered if the financial condition of the party obligated to make payments with respect to such instruments changes. Credit ratings assigned by rating agencies are based on a number of factors and do not necessarily reflect the issuer's current financial condition or the volatility or liquidity of the security. In the event of bankruptcy of the issuer of debt obligations, a client portfolio could experience delays or limitations with respect to its ability to realize the benefits of any collateral securing the instrument. In order to enforce its rights in the event of a default, bankruptcy or similar situation, a client could be required to retain legal or similar counsel at their own expense.
- **Interest Rate Risk.** Interest rate risk is the risk that fixed income investments and other instruments in an account will decline in value because of changes in interest rates. As interest rates rise, the value of a client portfolio invested primarily in fixed-income securities or similar instruments is likely to decline. Conversely, when interest rates decline, the value of such a client portfolio is likely to rise. A low interest rate environment could prevent an account from providing a positive yield or paying expenses out of current income. During periods when interest rates are low or there are negative interest rates, an account's yield (and total return) also could be low or otherwise adversely affected or the account could be unable to maintain positive returns. Securities with longer maturities are more sensitive to changes in interest rates than securities with shorter maturities, making them more volatile. A rising interest rate environment can extend the average life of mortgages or other asset-backed receivables underlying mortgage-backed or asset-backed securities. This extension increases the risk of depreciation due to future increases in market interest rates. In a declining interest rate environment, prepayment of certain types of securities could increase. In such circumstances, the portfolio manager might have to reinvest the prepayment proceeds at lower yields. A strategy that is managed toward an income objective could hold securities with longer maturities and therefore be more exposed to interest rate risk than a strategy focused on total return. As of the date of this brochure, the Federal Reserve Board has announced an increase in interest rates and has signaled the possibility of further increases. It is not possible to predict whether the Federal Reserve Board will increase interest rates any further this year, or the timing, frequency or magnitude of any such increases if they are to occur and any such changes could be sudden. Clients might or might not be

limited as to the maturities (when a debt security provides its final payment) or durations (measure of interest rate sensitivity) of the securities in which they invest.

- **Inflation Risk.** Certain investments are subject to inflation risk, which is the risk that the value of assets or income from investments will be less in the future as inflation decreases the value of money (i.e., as inflation increases, the values of assets can decline). Inflation rates can change frequently and significantly as a result of various factors, including unexpected shifts in the domestic or global economy and changes in economic policies, and a client's investments might not keep pace with inflation, which can result in losses to investors. Fixed income securities with longer maturities will therefore be more volatile than other fixed income securities with shorter maturities.
- **Duration Risk.** Duration measures the expected life of a fixed-income security, which can determine its sensitivity to changes in the general level of interest rates. Securities with longer durations tend to be more sensitive to interest rate changes than securities with shorter durations. A portfolio with a longer dollar-weighted average duration can be expected to be more sensitive to interest rate changes than a portfolio with a shorter dollar-weighted average duration. Duration differs from maturity in that it considers a security's coupon payments in addition to the amount of time until the security matures. As the value of a security changes over time, so will its duration.
- **LIBOR Discontinuance or Unavailability Risk.** The London Interbank Offered Rate or LIBOR is the average offered rate for various maturities of short-term loans between major international banks who are members of the British Bankers Association. It is used throughout global banking and financial industries to determine interest rates for a variety of financial instruments (such as debt instruments and derivatives) and borrowing arrangements. The regulatory authority that oversees financial services firms and financial markets in the U.K. has announced that, after the end of 2021, it would no longer persuade or compel contributing banks to make rate submissions for purposes of determining the LIBOR rate. However, subsequent announcements by the Financial Conduct Authority, the LIBOR administrator and other regulators indicate that it is possible that the most widely used tenors of U.S. Dollar LIBOR might continue to be provided on a representative basis until mid-2023. However, in connection with supervisory guidance from regulators, some regulated entities will cease to enter into most new LIBOR-based contracts after January 1, 2022. As a result, it is possible that commencing in 2022 (or a later date, if a particular reference rate is expected to continue beyond 2021), LIBOR might no longer be available or no longer deemed an appropriate reference rate upon which to determine the interest rate on or impacting certain derivatives and other instruments or investments comprising some or all of an account's portfolio. In light of this eventuality, public and private sector industry initiatives are currently underway to establish new or alternative reference rates to be used in place of LIBOR. There is no assurance that the composition or characteristics of any such alternative reference rate will be similar to or produce the same value or economic equivalence as LIBOR or that it will have the same volume or liquidity as did LIBOR prior to its discontinuance or unavailability, which could affect the value or liquidity or return on certain of a Fund's investments and result in costs incurred in connection with closing out positions and entering into new trades. Neither the effect of the LIBOR transition process nor its ultimate success can yet be known. The transition process might lead to increased volatility and illiquidity in markets for, and reduce the effectiveness of new hedges placed against, instruments whose terms currently include LIBOR. While some existing LIBOR-based instruments contemplate a scenario where LIBOR is no longer available by providing for an alternative rate-setting methodology, there could be significant uncertainty regarding the effectiveness of any such alternative methodologies to replicate LIBOR. Not all existing LIBOR-based instruments will necessarily have alternative rate-setting provisions and there remains uncertainty regarding the willingness and ability of issuers to add alternative rate-setting provisions in certain existing instruments. In addition, a liquid market for newly-issued instruments that use a reference rate other than LIBOR still could be developing. There could also be challenges for a client to enter into hedging transactions against such newly-issued instruments until a market for such hedging transactions develops. All of the aforementioned might adversely affect an account's performance or net asset value.

Additional Risk Considerations Associated with Particular Markets, Security Types, Investment Techniques and Strategies. The following provides information on risks associated with different types of securities and investment techniques that could be used by accounts and pooled investment vehicles we advise. Additional information is available upon request. Investors in pooled investment vehicles and funds-of-funds should review the prospectuses, offering memoranda and constituent documents for additional information relating to the risk associated with investments in those pooled investment vehicles and funds-of-funds, respectively.

- **Absolute Return Strategy Risk.** An “absolute return” investment approach is generally benchmarked to an index of cash instruments and seeks to achieve returns that are largely independent of broad movements in stocks and bonds. Unlike client portfolios managed in equity strategies, client portfolios managed in an absolute return strategy should not be expected to benefit from general equity market returns. Different from fixed income funds, client portfolios managed in an absolute return strategy may not generate current income and should not be expected to experience price appreciation as interest rates decline. Although the investment adviser seeks to maximize absolute return, client portfolios managed in an absolute return strategy may not generate positive returns.
- **Active Management Risk.** The success of a client’s account that is actively managed depends upon the investment skills and analytical abilities of the portfolio manager to develop and effectively implement strategies that achieve the client’s investment objective. Subjective decisions made by the portfolio manager can cause a client portfolio to incur losses or to miss profit opportunities on which it might have otherwise capitalized.
- **Allocation and Position Limits Risk.** A client account’s performance depends upon how its assets are allocated and reallocated, and an investor could lose money as a result of these allocation decisions and related constraints. MSIM Co could be subject, by applicable regulation or issuer limitations, to restrictions on the percentage of an issuer that can be held. For purposes of calculating positions, MSIM Co normally aggregates its positions with those of its affiliates. In such situations, MSIM Co might be limited in its ability to purchase further securities for its clients, even if the applicable position limits are not exceeded by positions MSIM Co has purchased on behalf of its clients. In addition, the Commodity Futures Trading Commission (“CFTC”) and the exchanges on which commodity interests (futures, options on futures and swaps) are traded can impose limitations governing the maximum number of positions on the same side of the market and involving the same underlying instrument held by a single investor or group of related investors, whether acting alone or in concert with others (regardless of whether such contracts are held on the same or different exchanges or held or written in one or more accounts or through one or more brokers). When a portfolio manager trades for multiple accounts, the commodity interest positions of all such accounts will generally be required to be aggregated for purposes of determining compliance with position limits, position reporting and position “accountability” rules imposed by the CFTC or the various exchanges. Swaps positions in physical commodity swaps that are “economically equivalent” to futures and options on futures held by an account and similar accounts could also in the future be included in determining compliance with federal position rules, and the exchanges can impose their own rules covering these and other types of swaps. These trading and position limits, and any aggregation requirement, could materially limit the commodity interest positions the portfolio manager takes for an account and could cause the portfolio manager to close out an account’s positions earlier than it might otherwise choose to do so.
- **Bank Loan Risk.** Bank loans are subject to the risk of default. Default in the payment of interest or principal on a loan will result in a reduction of income to the account, a reduction in the value of the loan, and a potential decrease in the account’s balance. The risk of default will increase in the event of an economic downturn or a substantial increase in interest rates. Bank loans are subject to the risk that the cash flow of the borrower and property securing the loan or debt, if any, are insufficient to meet scheduled payments. In addition, bank loans could be subject to additional risks including subordination to other creditors, no collateral or limited rights in collateral, lack of a regular trading market, extended settlement periods, liquidity risks, prepayment risks, potentially less protection under the federal securities laws and lack of publicly available information. As discussed above, however, because bank loans reside higher in the capital structure than high yield bonds, default

losses have been historically lower in the bank loan market. Bank loans that are rated below investment grade share the same risks of other below investment grade securities.

- **Bank Obligation Risk.** The activities of U.S. banks, including Morgan Stanley, and most foreign banks, are subject to comprehensive regulations. The enactment of new legislation or regulations, as well as changes in interpretation and enforcement of current laws, could affect the manner of operations and profitability of domestic and foreign banks. In addition, banks, including Morgan Stanley, could be particularly susceptible to certain economic factors.
- **Call Risk.** Fixed income securities are subject to the risk that an issuer exercises its right to redeem a fixed income security earlier than expected (a call). Issuers can call outstanding securities prior to their maturity for a number of reasons (e.g., declining interest rates, changes in credit spreads and improvements in the issuer's credit quality). If an issuer calls a security that a client holds, the client might not recoup the full amount of its initial investment or not realize the full anticipated earnings from the investment, and could be forced to reinvest in lower-yielding securities, securities with greater credit risks, or securities with other, less favorable features.
- **Collateralized Loan Obligations ("CLOs") Risk.** Structured finance securities such as CLOs entail a variety of unique risks. The performance of a CLO is affected by a variety of factors, including its priority in the capital structure of the issuer thereof, the availability of any credit enhancement, the level and timing of payments and recoveries on and the characteristics of the underlying receivables, loans or other assets that are being securitized, remoteness of those assets from the originator or transferor, the adequacy of and ability to realize upon any related collateral and the capability of the servicer of the securitized assets. The value of CLOs can be difficult to determine and generally will fluctuate with, among other things, the financial condition of the obligors or issuers of the underlying portfolio of assets of the related CLO, general economic conditions, the condition of certain financial markets, political events, developments or trends in any particular industry and changes in prevailing interest rates. CLOs are also subject to, among others, operational, credit, liquidity, legal, regulatory, tax, risk retention and interest rate risks.
- **Collateralized Mortgage Obligations ("CMOs") Risk.** CMOs are comprised of various tranches, the expected cash flows on which have varying degrees of predictability as compared with the underlying mortgage assets. Generally, the less predictable the cash flow, the higher the yield and the greater the risk. In addition, if the collateral securing CMOs or any third-party guarantees are insufficient to make payments, an account could sustain a loss.
- **Commodities Risk.** The value of commodities investments will generally be affected by overall market movements and factors specific to a particular industry or commodity, such as weather, embargoes, tariffs, health, and political, international and regulatory developments. Economic and other events (whether real or perceived) can reduce the demand for commodities, which could reduce market prices and cause the value of a client portfolio to fall. The frequency and magnitude of such changes cannot be predicted. Exposure to commodities and commodities markets can subject a client portfolio to greater volatility than investments in traditional securities. There might be no active trading market for certain commodities investments, which could impair the ability to sell or to realize the full value of such investments in the event of the need to liquidate such investments. In addition, adverse market conditions can impair the liquidity of actively traded commodities investments. Certain types of commodities instruments (such as total return swaps and commodity-linked notes) are subject to the risk that the counterparty to the instrument will not perform or will be unable to perform in accordance with the terms of the instrument.
- **Concentration Risk.** A strategy that concentrates its investments in a particular sector of the market (such as the utilities or financial services sectors) or a specific geographic area (such as a country or state) could be impacted by events that adversely affect that sector or area, and the value of a portfolio using such a strategy might fluctuate more than a less concentrated portfolio.
- **Contingent Convertible Bonds ("CoCos") Risk.** CoCos are issued primarily by non-U.S. financial companies and have complex features and unique risk considerations that differentiate them from traditional convertible, preferred or debt securities. Depending upon the terms of the particular issue, upon the occurrence of certain

triggering events the securities could be mandatorily converted into common equity of the issuer (at either a predetermined fixed rate or variable rate), or the principal of the securities could be temporarily or permanently written down. As a result, investors in CoCos could lose all or part of their principal investment. The triggering events will be described in the offering documents for each particular issue. However, they generally include the issuer failing to maintain a minimum capital ratio—a subjective determination by a regulator—that triggers the conversion or the write-down; and/or there could be other circumstances adverse to the issuer. In addition, market value will be affected by many unpredictable factors, including but not limited to: the market value of the issuer's common equity, the issuer's creditworthiness and capital ratios, any indication that the securities are trending toward a trigger event, supply and demand for the securities, and events that affect the issuer or the financial markets generally. There might be no active secondary market for the securities, and there is no guarantee that one will develop. Payment of interest or dividends could be at the sole discretion of the issuer, including prior to the occurrence of any trigger event. In most cases, the issuer is under no obligation to accrue or pay skipped payments (i.e., payments could be noncumulative). Thus, the dividend or interest payments can be deferred or cancelled at the issuer's discretion or upon the occurrence of certain events. The issuer could have the right to substitute or vary the terms of the securities in certain instances. The issuer could also have the right, but not the obligation, to redeem all or part of the securities in its sole discretion upon the occurrence of certain events.

- **Convertible and Other Hybrid Securities Risk.** Convertible and other hybrid securities (including preferred and convertible instruments) generally possess certain characteristics of both equity and debt securities. In addition to risks associated with investing in income securities, such as interest rate and credit risks, hybrid securities can be subject to issuer-specific and market risks generally applicable to equity securities. Convertible securities might also react to changes in the value of the common stock into which they convert and are thus subject to equity investing and market risks. A convertible security converted at an inopportune time could decrease a client's return.
- **Corporate Debt Risk.** Corporate debt securities are subject to the risk of the issuer's inability to meet principal and interest payments on the obligation and can also be subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity. When interest rates rise, the value of corporate debt securities can be expected to decline. Debt securities with longer maturities tend to be more sensitive to interest rate movements than those with shorter maturities. Company defaults can impact the level of returns generated by corporate debt securities. An unexpected default can reduce income and the capital value of a corporate debt security. Furthermore, market expectations regarding economic conditions and the likely number of corporate defaults could impact the value of corporate debt securities.
- **Counterparty Risk.** A financial institution or other counterparty with whom an investor does business (such as trading or securities lending), or that underwrites, distributes or guarantees any investments or contracts that an investor owns or is otherwise exposed to, might decline in financial condition and become unable to honor its commitments. This could cause the value of an investor's portfolio to decline or could delay the return or delivery of collateral or other assets to the investor. Although there can be no assurance that an investor will be able to do so, the investor might be able to reduce or eliminate its exposure under a swap agreement either by assignment or other disposition, or by entering into an offsetting swap agreement with the same party or another creditworthy party. The investor could have limited ability to eliminate its exposure under a credit default swap if the credit of the referenced entity or underlying asset has declined.
- **Cryptocurrency Risk.** Cryptocurrencies (also referred to as "virtual currencies" and "digital currencies") are digital assets designed to act as a medium of exchange. Although cryptocurrency is an emerging asset class, there are thousands of cryptocurrencies, the most well-known of which is bitcoin. From time to time, certain of MSIM Co's clients will obtain indirect exposure to cryptocurrencies through funds, futures, and other investment products. The value of these products is often intended to reflect the value of one or more cryptocurrencies, and the risks of investing in these products are similar to the risks of investing in cryptocurrencies generally.

(discussed further below), as well as the risks specific to investing in the applicable investment product (e.g., if an investment is made through a private fund, the risks of investing in a private fund will apply).

Cryptocurrency facilitates decentralized, peer-to-peer financial exchange and value storage that is used like money, without the oversight of a central authority or banks. The value of cryptocurrency is not backed by any government, corporation, or other identified body. Similar to fiat currencies, cryptocurrencies are susceptible to theft, loss and destruction.

The value of investments in cryptocurrency is subject to fluctuations in the value of the cryptocurrency, which have been and could in the future be highly volatile. The value of cryptocurrencies is determined by the supply and demand for cryptocurrency in the global market for the trading of cryptocurrency, which consists primarily of transactions on electronic exchanges. The price of a cryptocurrency could drop precipitously for a variety of reasons, including, but not limited to, regulatory changes, a crisis of confidence, flaw or operational issue in the cryptocurrency's network or a change in user preference to competing cryptocurrencies. A client's exposure to cryptocurrency could result in substantial losses to such client.

Cryptocurrencies trade on exchanges, which are largely unregulated and, therefore, are more exposed to fraud and failure than established, regulated exchanges for securities, derivatives and other currencies. These exchanges have in the past, and could in the future, cease operating temporarily or even permanently, resulting in the potential loss of users' cryptocurrency or other market disruptions. Cryptocurrency exchanges are more exposed to the risk of market manipulation than exchanges for traditional assets. Cryptocurrency exchanges that are regulated typically must comply with minimum net capital, cybersecurity, and anti-money laundering requirements, but are not typically required to protect customers or their markets to the same extent that regulated securities exchanges or futures exchanges are required to do so. Furthermore, many cryptocurrency exchanges lack certain safeguards established by traditional exchanges to enhance the stability of trading on the exchange and, as a result, the prices of cryptocurrencies on these exchanges could be subject to larger and more frequent sudden declines than assets traded on traditional exchanges. In addition, cryptocurrency exchanges are also subject to the risk of cybersecurity threats and breaches, resulting in the theft and/or loss of cryptocurrencies, and/or an adverse effect on value of cryptocurrencies. If a cyber or other security breach or a business failure of a cryptocurrency exchange were to occur, there would likely be an adverse impact to the price of a particular cryptocurrency or cryptocurrencies generally. A risk also exists with respect to malicious actors or previously unknown vulnerabilities, which could adversely affect the value of cryptocurrencies.

Factors affecting the further development of cryptocurrency include, but are not limited to: continued worldwide growth or possible cessation or reversal in the adoption and use of cryptocurrency and other digital assets; government and quasi-government regulation or restrictions on or regulation of access to and operation of digital asset networks; changes in consumer demographics and public preferences; maintenance and development of open-source software protocol; availability and popularity of other forms or methods of buying and selling goods and services; the use of the networks supporting digital assets, such as those for developing smart contracts and distributed applications; general economic conditions and the regulatory environment relating to digital assets; negative consumer or public perception; and general risks tied to the use of information technologies, including cyber risks.

Currently, there is relatively limited use of cryptocurrency in the retail and commercial marketplace, which contributes to price volatility. A lack of expansion by cryptocurrencies into retail and commercial markets, or a contraction of such use, could result in increased volatility or a reduction in the value of cryptocurrencies, either of which could adversely impact a client's investment in cryptocurrency. In addition, to the extent market participants develop a preference for one cryptocurrency over another, the value of the less preferred cryptocurrency would likely be adversely affected. Cryptocurrency is a new technological innovation with a limited history; it is a highly speculative asset and future regulatory actions or policies could limit, perhaps to a materially adverse extent, the value of a client's direct or indirect investment in cryptocurrency and the ability to exchange a cryptocurrency or utilize it for payments.

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- **Currency Risk.** In general, the value of investments in, or denominated in, foreign currencies increases when the U.S. dollar is weak (i.e., is losing value relative to foreign currencies) or when foreign currencies are strong (i.e., are gaining value relative to the U.S. dollar). When foreign currencies are weak or the U.S. dollar is strong, such investments generally will decrease in value. The value of foreign currencies as measured in U.S. dollars can be unpredictably affected by changes in foreign currency rates and exchange control regulations, application of foreign tax laws (including withholding tax), governmental administration of economic or monetary policies (in the U.S. or abroad), intervention (or the failure to intervene) by U.S. or foreign governments or central banks, and relations between nations. A devaluation of a currency by a country's government or banking authority will have a significant impact on the value of any investments denominated in that currency. Currency markets generally are not as regulated as securities markets and currency transactions are subject to settlement, custodial and other operational risks. Exposure to foreign currencies through derivative instruments will also be subject to the Derivatives Risks described below
 - **Derivatives Risk Generally.** Certain accounts can use derivative instruments for a variety of purposes, including hedging, risk management, portfolio management or to earn income. A derivative is a financial instrument whose value is based, in part, on the value of an underlying asset, interest rate, index or financial instrument ("reference instrument" or "underlying asset"). In this context, derivatives include but are not limited to: futures, forwards, options, participatory notes, warrants, and other similar instruments that are normally valued based upon another or related asset. The use of derivatives can lead to losses because of adverse movements in the price or value of the reference instrument, including due to failure of the counterparty or tax or regulatory constraints. Prevailing interest rates and volatility levels, among other things, also affect the value of derivative instruments. A derivative instrument often has risks similar to its underlying asset and can have additional risks, including imperfect correlation between the value of the derivative and the underlying asset, risks of default by the counterparty to certain transactions, magnification of losses incurred due to changes in the market value of the securities, instruments, indices or interest rates to which the derivative instrument relates, risks that the transactions might not be liquid and risks arising from margin requirements. The use of derivatives involves risks that are different from, and possibly greater than, the risks associated with other portfolio investments. Derivatives can involve the use of highly specialized instruments that require investment techniques and risk analyses different from those associated with other portfolio investments.

Certain derivative transactions give rise to a form of leverage, which magnifies the portfolio's exposure to the underlying asset. Leverage associated with derivative transactions could cause an account to liquidate portfolio positions when it might not be advantageous to do so to satisfy its obligations or to meet earmarking or segregation requirements, including with respect to certain funds to comply with applicable SEC rules and regulations, or could cause an account's value to be more volatile than might have been the case absent such leverage. Derivatives risk may be more significant when derivatives are used to enhance return or as a substitute for a position or security, rather than solely to hedge the risk of a position or security held by a client portfolio. Derivatives for hedging purposes might not reduce risk if they are not sufficiently correlated to the position being hedged. A decision as to whether, when and how to use derivatives involves the exercise of specialized skill and judgment, and a transaction could be unsuccessful in whole or in part because of market behavior or unexpected events. Derivative instruments can be difficult to value, can be illiquid, and can be subject to wide swings in valuation caused by changes in the value of the underlying instrument. If a derivative counterparty is unable to honor its commitments, the value of a client portfolio could decline and/or the portfolio could experience delays in the return of collateral or other assets held by the counterparty. The loss on derivative transactions can substantially exceed the initial investment. Certain strategies use derivatives extensively. Derivative investments also involve the risks relating to the reference instrument. Although certain strategies seek to use derivatives to further a client's investment objectives, there is no assurance that the use of derivatives will achieve this result.

Futures. A futures contract is a standardized, exchange-traded agreement to buy or sell a specific quantity of an underlying asset, reference rate or index at a specific price at a specific future time. While the value of a futures contract tends to increase or decrease in tandem with the value of the underlying instrument, differences

between the futures market and the market for the underlying asset can result in an imperfect correlation. Depending on the terms of the particular contract, futures contracts are settled through either physical delivery of the underlying instrument on the settlement date or by payment of a cash settlement amount on the settlement date. A decision as to whether, when and how to use futures contracts involves the exercise of skill and judgment and even a well-conceived futures transaction could be unsuccessful because of market behavior or unexpected events. In addition to the derivatives risks discussed above, the prices of futures contracts can be highly volatile, using futures contracts can lower total return, and the potential loss from futures contracts can exceed an account's initial investment in such contracts. No assurance can be given that a liquid market will exist for any particular futures contract at any particular time. There is also the risk of loss by an account of margin deposits in the event of bankruptcy of a broker with which an account has open positions in the futures contract.

Options. Certain client portfolios employ an options strategy. If an account buys an option, it buys a legal contract giving it the right to buy or sell a specific amount of the underlying instrument, foreign currency or contract, such as a swap agreement or futures contract, on the underlying instrument or foreign currency at an agreed-upon price typically in exchange for a premium paid by the account. If an account sells an option, it sells to another person the right to buy from or sell to an account a specific amount of the underlying instrument, swap, foreign currency, or futures contract on the underlying instrument or foreign currency at an agreed-upon price during a period of time or on a specific date typically in exchange for a premium received by a client. The use of options by accounts can entail additional risks. When options are purchased OTC, the buyer bears the risk that the counterparty that wrote the option will be unable or unwilling to perform its obligations under the option contract. Options can also be illiquid and a holder could have difficulty closing out its position. A decision as to whether, when and how to use options involves the exercise of skill and judgment and even a well-conceived option transaction could be unsuccessful because of market behavior or unexpected events. The prices of options can be highly volatile and the use of options can lower total returns.

Certain options strategies seek to take advantage of a general excess of option price-implied volatilities for a specified stock or index over the stock or index's subsequent realized volatility. This market observation is often attributed to the unknown risk to which an option seller is exposed to in comparison to the fixed risk to which an option buyer is exposed. There can be no assurance that this imbalance will apply in the future over specific periods or generally. It is possible that the imbalance could decrease or be eliminated by actions of investors that employ strategies seeking to take advantage of the imbalance, which would have an adverse effect on the client portfolio's ability to achieve its investment objective. Further, directional movements of the underlying index or stock can overwhelm the volatility differential for any given option resulting in a loss, regardless of the volatility relationship during that specific option's term. Call spread and put spread selling strategies employed by certain strategies are based on a specified index or on exchange-traded funds that replicate the performance of certain indexes. If the index or an ETF appreciates or depreciates sufficiently over the period to offset the net premium received, the client portfolio will incur a net loss. The amount of potential loss in the event of a sharp market movement is subject to a cap defined by the difference in strike prices between written and purchased call and put options. The value of the specified exchange-traded fund is subject to change as the values of the component securities fluctuate. Also, it might not exactly match the performance of the specified index.

Investments in foreign currency options can substantially change an account's exposure to currency exchange rates and could result in losses if currencies do not perform as expected. There is a risk that such transactions could reduce or preclude the opportunity for gain if the value of the currency should move in the direction opposite to the position taken. The value of a foreign currency option is dependent upon the value of the underlying foreign currency relative to the U.S. dollar or other applicable foreign currency. The price of the option could vary with changes in the value of either or both currencies and has no relationship to the investment merits of a foreign security. Options on foreign currencies are affected by all of those factors that influence foreign exchange rates and foreign investment generally. Unanticipated changes in currency prices can result in losses to a client and poorer overall performance for the client than if it had not entered into such contracts. Options on foreign currencies are traded primarily in the OTC market but can also be traded on U.S. and foreign exchanges.

Foreign currency options contracts can be used for hedging purposes or non-hedging purposes in pursuing a client's investment objective, such as when MSIM Co anticipates that particular non-U.S. currencies will appreciate or depreciate in value, even though securities denominated in those currencies are not then held in the client's investment portfolio. Investing in foreign currencies for purposes of gaining from projected changes in exchange rates, as opposed to only hedging currency risks applicable to an account holding, further increases the account's exposure to foreign securities losses. There is no assurance that MSIM Co's use of currency derivatives will benefit the related accounts or that they will be, or can be, used at appropriate times.

Swaps. A client could enter into OTC swap contracts or cleared swap transactions. An OTC swap contract is an agreement between two parties pursuant to which the parties exchange payments at specified dates on the basis of a specified notional amount, with the payments calculated by reference to specified securities, indices, reference rates, currencies or other instruments. Typically swap agreements provide that when the period payment dates for both parties are the same, the payments are made on a net basis (i.e., the two payment streams are netted out, with only the net amount paid by one party to the other). A party's obligations or rights under a swap contract entered into on a net basis will generally be equal only to the net amount to be paid or received under the agreement, based on the relative values of the positions held by each party. Cleared swap transactions can help reduce counterparty credit risk. In a cleared swap, the ultimate counterparty is a clearinghouse rather than a swap dealer, bank or other financial institution. OTC swap agreements are not entered into or traded on exchanges and often there is no central clearing or guaranty function for swaps. These OTC swaps are often subject to credit risk or the risk of default or non-performance by the counterparty. Certain swaps have begun trading on exchanges called swap execution facilities. Exchange trading is expected to increase liquidity of swaps trading. Both OTC and cleared swaps could result in losses if interest rates, foreign currency exchange rates or other factors are not correctly anticipated by a client or if the reference index, security or investments do not perform as expected. The Dodd-Frank Wall Street Reform and Consumer Protection Act and related regulatory developments require the clearing and exchange trading of certain standardized swap transactions. Mandatory exchange-trading and clearing is occurring on a phased-in basis.

The client's use of swaps could include those based on the credit of an underlying security, commonly referred to as "credit default swaps." Where a client is the buyer of a credit default swap contract, it would typically be entitled to receive the par (or other agreed-upon) value of a referenced debt obligation from the counterparty to the contract only in the event of a default or similar event by a third-party on the debt obligation. If no default occurs, the client would have paid to the counterparty a periodic stream of payments over the term of the contract and received no benefit from the contract. When a client is the seller of a credit default swap contract, it typically receives the stream of payments but is obligated to pay an amount equal to the par (or other agreed-upon) value of a referenced debt obligation upon the default or similar event of the issuer of the referenced debt obligation.

- **Differing Classes of Securities Risk.** 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.
- **Dividend Strategy Risk.** Clients invested in strategies designed to invest in dividend paying securities are subject to certain risks. These include issuers which have historically paid dividends reducing or ceasing to pay dividends in the future, which may additionally negatively impact the price of the security. In times of economic stress, a large number of issuers could reduce or eliminate dividends, impacting the ability of MSIM Co to execute its desired strategy.
- **General ESG Risk.** Strategies that seek to incorporate financially material ESG factors could lose value or otherwise underperform for a variety of reasons. ESG considerations tend to prioritize the longer-term prospects of issuers, which are not necessarily predictive of short-term fluctuations in security prices or overall market dynamics in the shorter term. Incorporation of ESG factors into the investment process can cause an investment strategy to underweight or exclude certain sectors, industries or geographies relative to benchmarks or competitors, which can result in underperformance during periods when those sectors, industries or geographies are being more broadly favored by the overall market. Assessment of ESG factors is subjective by nature, and

there is no assurance that an investment team will correctly or consistently identify the financially material ESG attributes of individual investments. Furthermore, MSIM Co is dependent on the quality and completeness of ESG-related information and data obtained through voluntary reporting by issuers, as well as on analysis and “scores” provided by third parties, including from MSIM Co affiliates, in seeking to incorporate financially material ESG factors into the selection process for investments. The risk associated with this dependency is especially pronounced for markets, geographies and asset classes where the quality and extent of available information and reporting are lower. All of the risks described above are present both where MSIM Co integrates ESG factors into its research process for individual security selection and where it applies formal exclusionary screens as part of its investment process.

- **ESG Focused Strategy Risks.** MSIM Co manages certain accounts and strategies for which, in addition to incorporating financially material ESG factors into the investment process, MSIM Co adopts an explicit emphasis on ESG and/or sustainability attributes of the portfolio. This type of strategy tends to augment the risks associated with incorporated ESG investing and can expose client accounts to additional risks over and above the General ESG Risk described above. In certain situations, the potential social impact may outweigh financial considerations. For example, MSIM Co could choose to make an investment that has a lower expected financial return when compared to other possible investments due to ESG considerations, such as where the investment has the potential to have a greater environmental and/or social impact. In addition, MSIM Co may reject an opportunity to increase the financial return of an existing investment in order to preserve the environmental and/or social impact of such investment. Further, MSIM Co could refrain from disposing of an underperforming investment for a period of time in order to minimize the negative environmental and/or social impact of such disposition. As a result of the foregoing, these portfolios or accounts are subject to the risk that they achieve lower returns than if MSIM Co did not adopt an explicit focus on ESG and/or sustainability considerations, including the environmental and/or social impact of investments and investment-related decisions. Clients should also be aware that their perception of the ESG attributes, or the social and environmental impact, of their investment portfolio may differ from MSIM Co’s or a third party’s assessment of how that portfolio adheres to ESG principles.
- **ETF Risk.** Shares of ETFs have many of the same risks as direct investments in common stocks or bonds and their market value is expected to rise and fall as the value of the underlying securities or index rises and falls. As a shareholder in an ETF, a portfolio would bear its ratable share of that entity’s expenses while continuing to pay its own investment management fees and other expenses. As a result, the account or the fund and its shareholders will, in effect, be absorbing duplicate levels of fees. There can be a lack of liquidity in certain ETFs which can lead to a large difference between the bid-ask prices (increasing the costs of buying or selling the ETF). A lack of liquidity also could cause an ETF to trade at a large premium or discount to its net asset value. Additionally, an ETF might suspend issuing new shares, which could 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 could diverge from the benchmark it is designed to track. In addition, certain ETFs in which an account could invest are leveraged. While leveraged ETFs can offer the potential for greater return, the potential for loss and the speed at which losses can be realized also are greater. Leveraged ETFs can deviate substantially from the performance of their underlying benchmark over longer periods of time, particularly in volatile periods.
- **ETN Risk.** An exchange-traded note (ETN) is a debt obligation and its payments of interest or principal are linked to the performance of a referenced investment (typically an index). ETNs are subject to the performance of their issuer and can lose all or a portion of their entire value if the issuer fails or its credit rating changes. An ETN that is tied to a specific index might not be able to replicate and maintain exactly the composition and weighting of the components of that index. ETNs also incur certain expenses not incurred by the referenced investment and the cost of owning an ETN could exceed the cost of investing directly in the referenced investment. The market trading price of an ETN can be more volatile than the referenced investment it is designed to track. ETNs can often be purchased at prices that exceed net asset value and be sold at prices

below such value. A client account might not be able to liquidate ETN holdings at the time and price desired, which could impact performance.

- **Exchange-Listed Equities via Stock Connect Program Risk.** The Shanghai-Hong Kong Stock Connect program and the Shenzhen-Hong Kong Stock Connect programs ("Stock Connect") allows non-Chinese investors without a license (such as accounts or pooled investment vehicles) to purchase certain listed equities via brokers in Hong Kong. Purchases of securities through Stock Connect are subject to daily market-wide quota limitations and an investor cannot purchase and sell the same security on the same trading day. These limitations could prevent an investor from purchasing Stock Connect securities when it is otherwise advantageous to do so. Stock Connect is affected by trading holidays in either China or Hong Kong, and there are trading days in China when Stock Connect investors will not be able to trade. As a result, prices of securities purchased through Stock Connect could fluctuate at times when an investor is unable to add to or exit its position. Only certain China A-shares are eligible to be accessed through Stock Connect. Such securities could lose their eligibility at any time, in which case they could be sold but could no longer be purchased through Stock Connect. The trading, settlement and IT systems required to operate Stock Connect are relatively new and continuing to evolve. In the event that the relevant systems do not function properly, trading through Stock Connect could be disrupted.

Stock Connect is subject to regulation by both Hong Kong and China, and there can be no assurance that further regulations will not affect the availability of securities in the program, the frequency of redemptions or other limitations. Stock Connect transactions are not covered by investor protection programs of either the Hong Kong or Shanghai and Shenzhen Stock Exchanges, although any default by a Hong Kong broker should be subject to established Hong Kong law. In China, Stock Connect securities are held on behalf of ultimate investors by the Hong Kong Securities Clearing Company Limited ("HKSCC") as nominee. Although Chinese regulators have affirmed that the ultimate investors hold a beneficial interest in Stock Connect securities, the law surrounding such rights is in its early stages and the mechanisms that beneficial owners could use to enforce their rights are untested and therefore pose uncertain risks. Courts in China have limited experience in applying the concept of beneficial ownership and the law surrounding beneficial ownership will continue to evolve as they do so. There is a risk that an investor's ability to enforce its ownership rights could be negatively impacted. Chinese law can require aggregation of Stock Connect securities held by clients of MSIM Co for purposes of disclosing positions held to the market, acquiescing to trading halts that could be imposed until regulatory filings are completed or complying with China's short term trading rules.

Stock Connect trades are either subject to certain pre-trade requirements or must be placed in special segregated accounts that allow brokers to comply with these pre-trade requirements by confirming that the selling shareholder has sufficient Stock Connect securities to complete the sale. If an investor does not utilize a special segregated account, it will not be able to sell the shares on any trading day where it fails to comply with the pre-trade checks. In addition, these pre-trade requirements could, as a practical matter, limit the number of brokers an investor can use to execute trades. Stock Connect trades are settled in Renminbi (RMB), the Chinese currency, and investors must have timely access to a reliable supply of RMB in Hong Kong, which cannot be guaranteed.

- **Foreign and Emerging Markets Risk.** Investments in foreign markets entail special risks such as currency, political, economic and market risks. There also could be greater market volatility, less reliable financial information, less stringent investor protections and disclosure standards, higher transaction and custody costs, decreased market liquidity and less government and exchange regulation associated with investments in foreign markets. As a result, the risks of investing in emerging market countries are greater than risks associated with investments in foreign developed countries. In addition, if investments by an account are denominated in foreign currencies, changes in the value of a country's currency compared to the U.S. dollar could affect the value of the account's investments.

Investments in foreign markets could also be adversely affected by governmental actions such as the imposition of capital controls, tariffs, sanctions, nationalization of companies or industries, expropriation of assets, the imposition of punitive taxes or threatened or active armed conflict. The governments of certain countries could

prohibit or impose substantial restrictions on foreign investing in their capital markets or in certain sectors or industries.

Also, as a result of economic sanctions, MSIM Co could be forced to sell or otherwise dispose of investments at inopportune times or prices, which could result in losses to clients and increased transaction costs. In addition, a foreign government could limit or cause delay in the convertibility or repatriation of its currency which would adversely affect the U.S. dollar value and/or liquidity of investments denominated in that currency. Certain foreign investments might become less liquid in response to market developments or adverse investor perceptions or become illiquid after purchase by an investor, particularly during periods of market turmoil. When an investor holds illiquid investments, its portfolio could be harder to value.

Certain emerging market countries are subject to less stringent requirements regarding accounting, auditing, financial reporting and record keeping and therefore, material information related to an investment may not be available or reliable. In addition, an account is limited in its ability to exercise its legal rights or enforce a counterparty's legal obligations in certain jurisdictions outside of the United States, in particular, in emerging markets countries. In addition, investments in foreign issuers could be denominated in foreign currencies and therefore, to the extent unhedged, the value of those investments will fluctuate with U.S. dollar exchange rates. To the extent hedged by the use of foreign currency forward exchange contracts, the precise matching of the foreign currency forward exchange contract amounts and the value of the securities involved will not generally be possible because the future value of such securities in foreign currencies will change as a consequence of market movements in the value of those securities between the date on which the contract is entered into and the date it matures. There is additional risk that such transactions could reduce or preclude the opportunity for gain if the value of the currency should move in the direction opposite to the position taken and that foreign currency forward exchange contracts create exposure to currencies in which an account's securities are not denominated. The use of foreign currency forward exchange contracts involves the risk of loss from the insolvency or bankruptcy of the counterparty to the contract or the failure of the counterparty to make payments or otherwise comply with the terms of the contract. As discussed above, economic sanctions could be, and have been, imposed against certain countries, organizations, companies, entities and/or individuals. Economic sanctions and other similar governmental actions could, among other things, effectively restrict or eliminate an account's ability to purchase or sell securities or groups of securities, and thus could make an account's investments in such securities less liquid or more difficult to value.

Economic sanctions or other similar measures may be, and have been, imposed against certain countries, organizations, companies, entities and/or individuals. Investments in foreign securities are subject to economic sanctions and trade laws in the United States and other jurisdictions. These laws and related governmental actions, including counter-sanctions and other retaliatory measures, can, from time to time, prevent or prohibit an investor from investing in certain foreign securities. In addition, economic sanctions could prohibit an investor from transacting with particular countries, organizations, companies, entities and/or individuals by banning them from global payment systems that facilitate cross-border payments, restricting their ability to settle securities transactions, and freezing their assets. The imposition of sanctions and other similar measures could, among other things, cause a decline in the value of securities issued by the sanctioned country or companies located in or economically linked to the sanctioned country, downgrades in the credit ratings of the sanctioned country or companies located in or economically linked to the sanctioned country, devaluation of the sanctioned country's currency, and increased market volatility and disruption in the sanctioned country and throughout the world. Economic sanctions or other similar measures could, among other things, effectively restrict or eliminate an investor's ability to purchase or sell securities, negatively impact the value or liquidity of a portfolio of investments, significantly delay or prevent the settlement of securities transactions, force an investor to sell or otherwise dispose of investments at inopportune times or prices, or impair MSIM Co's ability to meet a client's investment objective or invest in accordance with a client's investment strategy. These conditions may be in place for a substantial period of time and enacted with limited advanced notice.

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- **Foreign Money Market Securities Risks.** Investing in money market securities of foreign issuers involves some risks additional to those involved in investing in comparable US money market securities, including higher cost of investing and the possibility of adverse political, economic or other developments affecting the issuers of these securities.
 - **Growth Investing Risk.** Growth investing attempts to identify companies that will experience rapid earnings growth relative to value or other types of stocks. Growth stocks could trade at higher multiples of current earnings compared to other types of stock or styles of investing (e.g., value), leading to inflated prices and thus potentially greater declines in value. The performance of growth strategies could be better or worse than the performance of equity strategies that focus on value stocks or that have a broader investment style.
 - **Hedging Strategy Risks.** Certain client accounts, portfolios, and pooled investment vehicles could, but are not required, to engage in transactions designed to reduce the risk or to protect the value of their investments, including securities and currency hedging transactions. These hedging strategies could involve a variety of derivative transactions, including transactions in forward, swap and option contracts or other financial instruments with similar characteristics, including, without limitation, forward foreign currency exchange contracts, currency and interest rate swaps, options and short sales (collectively “Hedging Instruments”). Certain risks associated with Hedging Instruments are further detailed under “Derivative Risks.” Hedging against a decline in the value of a portfolio position does not eliminate fluctuations in the values of portfolio positions or prevent losses if the values of those positions decline, but establishes other positions designed to gain from those same developments, thus offsetting the decline in the portfolio positions’ value. While these transactions can reduce the risks associated with an investment, the transactions themselves entail risks that are different from and possibly greater than, the risks associated with other portfolio investments. The use of Hedging Instruments could require investment techniques and risks analyses different from those associated with other portfolio investments. The risks posed by these transactions include, but are not limited to, interest rate risk, market risk, the risk that these complex instruments and techniques will not be successfully evaluated, monitored or priced, the risk that counterparties will default on their obligations, liquidity risk and leverage risk. Changes in liquidity can result in significant, rapid and unpredictable changes in the prices for derivatives. Thus, while the accounts might benefit from the use of Hedging Instruments, unanticipated changes in interest rates, securities prices or currency exchange rates could result in a poorer overall performance for the accounts than if they had not used such Hedging Instruments.
 - **High Yield Securities (“Junk Bonds”) Risk.** An account’s investments in high yield securities, investments typically rated below investment grade and comparable unrated investments have speculative characteristics which expose such investments to a substantial degree of credit risk associated with their issuers. Some high yield securities are issued by companies that are restructuring, are smaller and less creditworthy or are more highly indebted than other companies, and therefore they could have more difficulty making scheduled payments of principal and interest. High yield securities are subject to greater risk of loss of income and principal than higher rated securities and could be considered speculative. High yield securities might experience reduced liquidity, and sudden and substantial decreases in price. An economic downturn, or other circumstances typically have a greater effect on the ability of issuers of high yield securities to make principal and interest payments than they do on issuers of higher rated investments. An economic downturn affecting an issuer of high yield securities can result in an increased incidence of default, which could cause certain accounts to incur additional expense to seek recovery.
 - **Income Risk.** A portfolio’s ability to generate income will depend on the yield available on the securities held by the portfolio. In the case of equity securities, changes in the dividend policies of companies held by a client portfolio could make it difficult for the portfolio to generate a predictable level of income. The use of dividend-capture strategies to generate income will generally expose a client portfolio to higher portfolio turnover, increased trading costs and the potential for capital loss or gain, particularly in the event of significant short-term price movements of stocks subject to dividend capture trading.

- **Inflation-Linked Security Risk.** Inflation-linked debt securities are subject to the effects of changes in market interest rates caused by factors other than inflation (real interest rates). In general, the price of an inflation-linked security tends to decrease when real interest rates increase and can increase when real interest rates decrease. Interest payments on inflation-linked securities can vary widely and will fluctuate as the principal and interest are adjusted for inflation. Any increase in the principal amount of an inflation-linked debt security will likely be considered taxable ordinary income, even though the portfolio will not receive the principal until maturity. There can be no assurance that the inflation index used will accurately measure the real rate of inflation in the prices of goods and services. A portfolio's investments in inflation-linked securities could lose value in the event that the actual rate of inflation is different than the rate of the inflation index.
- **Issuer Diversification Risk.** A Fund or strategy may be "non-diversified," which means it may invest a greater percentage of its assets in the securities of a single issuer than a fund that is "diversified." Non-diversified Funds and strategies may focus their investments in a small number of issuers, making them more susceptible to risks affecting such issuers than a more diversified fund might be.
- **Lending Portfolio Securities Risk.** Certain clients are permitted to lend their securities to brokers, dealers and other financial institutions needing to borrow securities to complete certain transactions. The client continues to be entitled to payments in amounts equal to the interest, dividends or other distributions payable in respect of the loaned securities, which affords the client an opportunity to earn interest on the amount of the loan and on the loaned securities' collateral. In connection with any such transaction, the client will receive collateral consisting of liquid, unencumbered assets, U.S. Government securities or irrevocable letters of credit that will be maintained at all times in an amount equal to at least 100% of the current market value of the loaned securities. The client might experience loss if the institution with which the client has engaged in a portfolio loan transaction breaches its agreement with the client.

Loans of securities involve a risk that the borrower fails to return the securities or to maintain the proper amount of collateral, which could result in losses. There can be risks of delay and costs involved in recovery of securities or even loss of rights in the collateral should the borrower of the securities fail financially. These delays and costs could be greater for foreign securities. However, loans will be made only to borrowers deemed to be creditworthy and when the income that can be earned from such securities loans justifies the attendant risk. The account also bears the risk that the reinvestment of collateral will result in a principal loss. Finally, there is the risk that the price of the securities will increase while they are on loan and the collateral will not be adequate to cover their value. The account might also experience loss if the institution with which the account has engaged in a portfolio loan transaction breaches its agreement with the account.

- **Leverage Risk.** Certain accounts, such as pooled investment vehicles, are permitted to borrow money (and/or establish a line of credit) to provide for opportunistic asset allocation, facilitate payments on withdrawal and to remain fully invested in anticipation of future contributions. Additionally, these accounts can enter into various derivatives (such as options, futures and swaps) that have implicit or internal leverage in that the notional value of the derivative instrument is much larger than the cash needed to establish and maintain the derivative instrument. Although leverage will increase the account's investment return if the investment purchased with borrowed funds earns a greater return than the interest expense the pooled investment vehicle pays for the use of those funds, the use of leverage will decrease the return on the pooled investment vehicle if the pooled investment vehicle fails to earn as much on its investment purchased with borrowed funds as it pays for the use of those funds. Leverage and borrowing can cause the value of a client portfolio to be more volatile than if it had not been leveraged, as certain types of leverage exaggerate the effect of any increase or decrease in the value of securities in a client portfolio. The use of leverage will in this way magnify the volatility of changes in the value of an investment in the pooled investment vehicle, especially in times of a "credit crunch" or during general market turmoil. An account might be required to segregate liquid assets or otherwise cover the obligation created by a transaction that gives rise to leverage. To satisfy the account's obligations or to meet segregation requirements, an account could be forced to liquidate portfolio positions when it is not advantageous to do so.

Leverage and borrowing can lead to additional costs to clients, including interest and fees. Losses on leveraged transactions can substantially exceed the initial investment.

- **Line of Credit.** Certain accounts could obtain a line of credit for bridge purposes to facilitate their investment activities. Should an account obtain such a line of credit, it could be required to pledge all of its assets as collateral and could also be required to pay commitment fees and non-use fees, even if such line of credit is never used. The risks associated with such a line of credit include interest expense risk, and, in the unlikely event that the value of the collateral pledged to secure such a line of credit were to decline significantly, the pooled investment vehicle could be forced to liquidate its assets to satisfy its repayment obligations under such line of credit.
- **Liquidity Risk.** A client portfolio is exposed to liquidity risk when trading volume, lack of a market maker or trading partner, large position size, market conditions, or legal restrictions impair its ability to sell particular investments or to sell them at advantageous market prices. Consequently, the client portfolio might have to accept a lower price to sell an investment or continue to hold it or keep the position open, sell other investments to raise cash or abandon an investment opportunity, any of which could have a negative effect on the portfolio's performance. These effects can be exacerbated during times of financial or political stress.
- **Maturity Risk.** Interest rate risk will generally affect the price of a fixed income security more if the security has a longer maturity. Fixed income securities with longer maturities will therefore be more volatile than other fixed income securities with shorter maturities. Conversely, fixed income securities with shorter maturities will be less volatile but generally provide lower returns than fixed income securities with longer maturities. The average maturity of a client portfolio's investments will affect the volatility of the portfolio's rate of return.
- **Model and Quantitative Risk.** Some strategies can include the use of various proprietary or third-party quantitative or investment models. There could be deficiencies in the design or operation of these models, including as a result of shortcomings or failures of processes, people or systems. Investments selected using models could perform differently than expected as a result of the factors used in the models, the weight placed on each factor, changes from the factors' historical trends, and technical issues in the construction and implementation of the models (including, for example, data problems and/or software issues). Moreover, the effectiveness of a model can diminish over time, including as a result of changes in the market and/or changes in the behavior of other market participants. A model's return mapping is based on historical data regarding particular asset classes. Certain strategies can be dynamic and unpredictable, and a model used to estimate asset allocation might not yield an accurate estimate of the then current allocation. Operation of a model could result in negative performance, including returns that deviate materially from historical performance, both actual and pro-forma. Additionally, commonality of holdings across quantitative money managers can amplify losses. There is no guarantee that the use of these models will result in effective investment decisions for clients. In the case of third-party models, such techniques have not been independently tested or validated, and there can be no assurance that these techniques will achieve the desired results. If these techniques have errors or are flawed or incomplete and such issues are not identified, such models may have an adverse effect client investment performance.
- **Money Market Funds Risk.** An investment in a money market fund is neither insured nor guaranteed by the Federal Deposit Insurance Corporation ("FDIC") or any other government agency. Money market funds could lose money. 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 an account sells shares, they could be worth more or less than originally paid. Some money market funds impose, or are permitted to impose, a fee upon sale or temporarily suspend sales if liquidity falls below required minimums. During suspensions, shares would not be available for withdrawals. Moreover, in some circumstances, money market funds could cease operations when the value of a fund drops below \$1.00 per share. In that event, the fund's holdings could 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 for withdrawal.

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- **Mortgage- and Asset-Backed Securities Risk.** Mortgage-backed and asset-backed securities represent interests in “pools” of commercial or residential mortgages or other assets, including consumer loans or receivables. The purchase of mortgage- and asset-backed securities issued by non-government entities can entail greater risk than such securities that are issued or guaranteed by a government entity. Mortgage- and asset-backed securities issued by non-government entities might offer higher yields than those issued by government entities but can be subject to greater volatility than government issues and can also be subject to greater credit risk and the risk of default on the underlying mortgages or other assets. Investments in mortgage- and asset-backed securities are subject to both extension risk, where borrowers pay off their debt obligations more slowly in times of rising interest rates, and prepayment risk, where borrowers pay off their debt obligations sooner than expected in times of declining interest rates. Movements in interest rates (both increases and decreases) can quickly and significantly reduce the value of certain types of mortgage- and asset-backed securities. Although certain mortgage- and asset-backed securities are guaranteed as to timely payment of interest and principal by a government entity, the market price for such securities is not guaranteed and will fluctuate. Asset-backed securities are subject to the risk that various federal and state consumer laws and other legal and economic factors could result in the collateral backing the securities being insufficient to support payment on the securities. In addition, an unexpectedly high rate of defaults on the mortgages and assets held by a pool or mortgages or other assets could adversely affect the value of a mortgage- or asset-backed security and could result in losses to the account. The risk of such defaults is generally higher in the case of mortgage pools that include subprime mortgages. Leverage can cause an account to be more volatile than if an account had not been leveraged. The risks associated with mortgage- and asset-backed securities typically become elevated during periods of distressed economic, market, health and labor conditions. In particular, increased levels of unemployment, delays and delinquencies in payments of loan, mortgage, and rent obligations, and uncertainty regarding the effects and extent of government intervention with respect to debt payments and other economic matters can adversely affect investments in mortgage- and asset-backed securities.
 - **Option Strategy Risk.** Certain client portfolios can employ an option strategy that seeks to take advantage of a general excess of option price-implied volatilities for a specified stock or index over the stock or index’s subsequent realized volatility. This market observation is often attributed to the unknown risk to which an option seller is exposed to in comparison to the fixed risk to which an option buyer is exposed. There can be no assurance that this imbalance will apply in the future over specific periods or generally. It is possible that the imbalance could decrease or be eliminated by actions of investors that employ strategies seeking to take advantage of the imbalance, which would have an adverse effect on the client portfolio’s ability to achieve its investment objective. Further, directional movements of the underlying index or stock could overwhelm the volatility differential for any given option resulting in a loss, regardless of the volatility relationship during that specific option’s term. Call spread and put spread selling strategies employed by certain strategies are based on a specified index or on exchange-traded funds that replicate the performance of certain indexes. If the index or an ETF appreciates or depreciates sufficiently over the period to offset the net premium received, the client portfolio will incur a net loss. The amount of potential loss in the event of a sharp market movement is subject to a cap defined by the difference in strike prices between written and purchased call and put options. The value of the specified exchange-traded fund is subject to change as the values of the component securities fluctuate. Also, it might not exactly match the performance of the specified index.
 - **Pooled Investment Vehicles Risk.** Pooled investment vehicles include open- and closed-end investment companies, ETFs, and private funds. Pooled investment vehicles are subject to the risks of investing in the underlying securities or other investments. Shares of closed-end investment companies and ETFs can trade at a premium or discount to net asset value and are subject to secondary market trading risks. In addition, except as otherwise noted in this Form ADV Part 2A, the client portfolio will bear a pro rata portion of the operating expenses of a pooled investment vehicle in which it invests.
 - **Portfolio Turnover Risk.** The annual portfolio turnover rate of certain strategies or investment funds can exceed 100%. High turnover rates could generate more capital gains and involve greater expenses (which would reduce

return) than a trading strategy with a lower turnover rate. Capital gains distributions will be made to investors even if offsetting capital loss carry forwards do not exist.

- **Preferred Stock Risk.** Although preferred stocks represent an ownership interest in an issuer, preferred stocks generally do not have voting rights or have limited voting rights and have economic characteristics similar to fixed-income securities. Preferred stocks are subject to issuer-specific risks generally applicable to equity securities and credit and interest rate risks generally applicable to fixed-income securities. The value of preferred stock generally declines when interest rates rise and can react more significantly than bonds and other debt instruments to actual or perceived changes in the company's financial condition or prospects.
- **Privately Placed and Restricted Securities Risks.** An account's investments could include privately placed securities, which are subject to resale restrictions. It is likely that such securities will not be listed on a stock exchange or traded in the OTC market. These securities will have the effect of increasing the level of an account's illiquidity to the extent the account is unable to sell or transfer these securities due to restrictions on transfers or on the ability to find buyers interested in purchasing the securities. The illiquidity of the market, as well as the lack of publicly available information regarding these securities, can also adversely affect the ability to arrive at a fair value for certain securities at certain times and could make it difficult for the account to sell certain securities (or to sell such securities at the prices at which they are currently held). Furthermore, companies whose securities are not publicly traded are often not subject to the same or comparable disclosure and other investor protection requirements that might be applicable if their securities were publicly traded and/or listed on a stock exchange. An account could be obligated to pay all or part of the legal and/or other fees incurred in negotiating the purchase and or sale of a private placement security. When registration is required to sell a security, an account could be obligated to pay all or part of the registration expenses, and a considerable period might elapse between the decision to sell and the time the account is permitted to sell a security under an effective registration statement. If adverse market conditions developed during this period, an account might obtain a less favorable price than the price that prevailed when the account decided to sell.
- **Real Estate Risk.** Real estate investments are subject to risks associated with owning real estate, including declines in real estate values, increases in property taxes, fluctuations in interest rates, limited availability of mortgage financing, decreases in revenues from underlying real estate assets, declines in occupancy rates, changes in government regulations affecting zoning, land use, and rents, environmental liabilities, and risks related to the management skill and creditworthiness of the issuer. Companies in the real estate industry could also be subject to liabilities under environmental and hazardous waste laws, among others.
- **REITs, Real Estate Operating Companies ("REOCs") and Foreign Real Estate Company Risks.** Investing in REITs, REOCs and foreign real estate companies exposes investors to the risks of owning real estate directly, as well as to risks that relate specifically to the way in which REITs, REOCs and foreign real estate companies are organized and operated. In addition, investments in REITs and similar non-U.S. entities could involve duplication of management fees and certain other expenses. REITs are also subject to certain provisions under federal tax law and the failure of a company to qualify as a REIT could have adverse consequences for a portfolio. In addition, foreign real estate companies could be subject to the laws, rules and regulations governing those entities and their failure to comply with those laws, rules and regulations could negatively impact the performance of those entities. Operating REITs and foreign real estate companies requires specialized management skills, and an account indirectly bears management expenses along with the direct expenses of an account. Changes in underlying real estate values can have an exaggerated effect to the extent that investments of an individual REIT or foreign real estate company are concentrated in particular regions or property types and changes in underlying real estate values can have an exaggerated effect to the extent that investments are concentrated in particular geographic regions or property types. Funds are generally not eligible for a deduction from dividends received from REITs that is available to individuals who invest directly in REITs.
- **Repurchase Agreements Risk.** Repurchase agreements are subject to risks associated with the possibility of default by the seller at a time when the collateral has declined in value, or insolvency of the seller, which could affect an account's right to control the collateral. In the event of a default or bankruptcy by a selling financial

institution, an account will seek to liquidate such collateral. However, the exercising of an account's right to liquidate such collateral could involve certain costs or delays and, to the extent that proceeds from any sale upon a default of the obligation to repurchase were less than the repurchase price, an account could suffer a loss. Repurchase agreements involving obligations other than U.S. government securities could be subject to special risks.

- **Reverse Repurchase Agreements Risk.** Reverse repurchase agreements involve a sale of a security to a bank or securities dealer and a simultaneous agreement to repurchase the security for a fixed price (reflecting a market rate of interest) on a specific date. These transactions involve a risk that the other party to a reverse repurchase agreement will be unable or unwilling to complete the transaction as scheduled, which could result in losses to an investment portfolio. Furthermore, reverse repurchase agreements involve the risks that (i) the interest income earned in the investment of the proceeds will be less than the interest expense, (ii) the market value of the securities retained in lieu of sale by an account could decline below the price of the securities an account has sold but is obligated to repurchase, (iii) the market value of the securities sold will decline below the price at which an account is required to repurchase them and (iv) the securities will not be returned to an account. Reverse repurchase transactions are a form of leverage that can also increase the volatility of investment portfolios.
- **Sector and Geographic Risk.** A client portfolio could invest significantly in one or more sectors or geographic regions. As such, the value of the client portfolio could be affected by events that adversely affect such sectors or geographic regions and fluctuate more than that of a portfolio that invests more broadly.
- **Short Sale Risk.** In a short sale transaction, an account sells a security that it owns or has the right to acquire at no added cost (i.e., "against the box") or does not own (but has borrowed) in anticipation of a decline in the market value of that security. To deliver the securities to the buyer, an account arranges through a lender (e.g., a broker) to borrow the security and, in so doing, the account becomes obligated to replace the security borrowed at its market price at the time of replacement. An account could have to pay a premium to borrow the security and must pay any dividends or interest payable on the security until it is replaced. An account's obligation to replace the security borrowed in connection with a short sale will be secured by collateral deposited with the lender that consists of cash or other liquid securities. Short sales by an account involve certain risks and special considerations. If we incorrectly predict that the price of a borrowed security will decline, an account will have to replace the security with a security with a greater value than the amount received from the sale, thus, resulting in a loss. Losses from short sales differ from losses that could be incurred from a purchase of a security in that losses from short sales are potentially unlimited because the price of the borrowed security could rise indefinitely, whereas losses from purchases can equal only the total amount invested. Purchasing a security to close out the short position can itself cause the price of the security to rise further, thereby exacerbating the loss. Short selling also involves the risks of: increased leverage, and its accompanying potential for losses; the potential inability to reacquire a security in a timely manner, or at an acceptable price; the possibility of the lender terminating the loan at any time, forcing an account to close the transaction under unfavorable circumstances; the additional costs that can be incurred; and the potential loss of investment flexibility caused by an account's obligation to provide collateral to the lender and set aside assets to cover the open position.
- **Small- and Mid-Capitalization Companies Risk.** Investments in small- and mid-capitalization companies can involve greater risks than investments in larger, more established companies. The securities issued by small- and mid-cap companies could be less liquid, and such companies could have more limited markets, financial resources and product lines, and could lack the depth of management of larger companies. Small- and mid-capitalization companies are generally subject to greater price fluctuations, less liquidity, higher transaction costs and higher investment risk than larger, more established companies. Such companies often have limited product lines, markets or financial resources, are dependent on a limited management group, and lack substantial capital reserves or an established performance record. There is generally less publicly available information about such companies than for larger, more established companies. Stocks of these companies frequently have lower trading volumes, making them more volatile and potentially more difficult to value.

- **Special Purpose Acquisition Companies (“SPACs”).** A portfolio could invest in stock, warrants, rights and other securities of special purpose acquisition companies which typically are publicly traded companies that raise investment capital for the purpose of acquiring or merging with an existing company that is identified subsequent to the SPAC’s initial public offering (“IPO”). Typically, the acquisition target is an existing privately held company that wants to trade publicly, which it accomplishes through a combination with a SPAC rather than by conducting a traditional initial public offering (“IPO”). SPACs and similar entities are blank check companies and do not have any operating history or ongoing business other than seeking acquisitions. The long-term value of a SPAC’s securities is particularly dependent on the ability of the SPAC’s management to identify a merger target and complete an attractive acquisition. Some SPACs pursue acquisitions only within certain sectors, industries or regions, which can increase the time horizon for an acquisition as well as other risks associated with these investments, including price volatility. Conversely, other SPACs can invest without such limitations, in which case management could have limited experience or knowledge of the market sector or region in which the transaction is contemplated. In addition, certain securities issued by a SPAC, particularly in private placements conducted by the SPAC after its IPO, could be classified as illiquid and/or be subject to restrictions on resale, which restrictions might be imposed for at least a year or possibly a more extended time, and could potentially be traded only in the over-the-counter market.

Until an acquisition or merger is completed, a SPAC generally invests its assets, less a portion retained to cover expenses, in U.S. government securities, money market securities and cash and does not typically pay dividends in respect of its common stock. To the extent a SPAC is invested in these securities or cash, this could impact the Fund’s ability to meet its investment objective. SPAC shareholders might not approve any proposed acquisition or merger, or an acquisition or merger, once effected, could prove unsuccessful. If an acquisition or merger that meets the requirements of the SPAC is not completed within a pre-established period of time (typically, two years), the funds invested in the SPAC plus any interest paid on such funds while held in trust (less any permitted expenses and any losses experienced by the SPAC) are returned to its shareholders. As a result, an account investing in a SPAC could be subject to opportunity costs to the extent that alternative investments would have produced higher returns. Any warrants or other rights with respect to a SPAC held by a client could expire worthless or could be repurchased or retired by the SPAC at an unfavorable price.

In connection with a proposed acquisition, a SPAC could raise additional funds in order to fund the acquisition, post-acquisition working capital, redemptions or some combination of those purposes. This additional fundraising might be in the form of a private placement of a class of equity securities or debt. The debt could be secured by the assets of the SPAC or the operating company existing after the acquisition or it could be unsecured. The debt could also be investment grade debt or below investment grade debt.

A client could invest in stock, warrants, rights and other securities of SPACs or similar special purpose entities in a private placement transaction or as part of a public offering. If the client purchases securities in the SPAC’s IPO, typically it will receive publicly-traded securities called “units” that include one share of common stock and one right or warrant (or partial right or warrant) conveying the right to purchase additional shares of common stock. At a specified time, the rights and warrants can be separated from the common stock at the election of the holder, after which each security typically is freely tradeable. An investment in the IPO securities of a SPAC could be diluted by additional, later offerings of securities by the SPAC or by other investors exercising existing rights to purchase securities of the SPAC. If a client invests in equity securities issued in a private placement after the IPO, those shares will not be publicly tradable unless and until there is a registration statement filed by the SPAC and approved by the SEC or if an exemption from registration is available, which exemptions typically become available at least a year after the date of the business combination. Equity investments in the SPAC made in connection with a proposed business combination will be diluted by the acquisition itself and further fundraising by the ongoing operating business.

If there is no market for the shares of the SPAC or only a thinly traded market for shares or interests in the SPAC develops, a client might not be able to sell its interest in a SPAC or it might only be able to sell its interest at a price below what the client believes is the SPAC interest’s value. If not subject to a restriction on resale, a client can sell its investments in a SPAC at any time, including before, at or after the time of an acquisition or merger.

Generally, SPACs provide the opportunity for common shareholders who hold publicly traded shares to have some or all of their shares redeemed by the SPAC at or around the time of a proposed acquisition or merger. However, there is often a limit to the number of shares that can be redeemed in connection with a business combination. If a client holds shares of publicly traded SPAC stock, this means that a client might not be able to redeem those shares prior to an acquisition and could have to hold those shares until after the completion of the acquisition. If a client purchases shares in a private placement, those shares will not be redeemable in connection with a transaction. In addition, a client could elect not to participate in a proposed SPAC transaction or could be required to divest its interests in the SPAC due to regulatory or other considerations.

An investment in a SPAC is subject to the risks that any proposed acquisition or merger does not obtain the requisite approval of SPAC shareholders, requires governmental or other approvals that it fails to obtain or that an acquisition or merger, once effected, could prove unsuccessful and lose value. In addition, among other conflicts of interest, the economic interests of the management, directors, officers and related parties of a SPAC can differ from the economic interests of public shareholders, which could lead to conflicts as they evaluate, negotiate and recommend business combination transactions to shareholders. For example, because the sponsor, directors and officers of a SPAC could directly or indirectly own interests in a SPAC, the sponsor, directors and officers could have a conflict of interest in determining whether a particular target business is an appropriate business with which to effectuate a business combination. This risk can become more acute as the deadline for the completion of a business combination nears or in the event that attractive acquisition or merger targets become scarce. In addition, the requirement that a SPAC complete a business combination within a prescribed time frame could give potential target businesses leverage over the SPAC in negotiating a business combination and could limit the time the SPAC has in which to conduct due diligence on potential business combination targets, which could undermine the SPAC's ability to complete a business combination on terms that would produce value for its shareholders.

An investment in a SPAC is also subject to the risk that a significant portion of the funds raised by the SPAC could be expended during the search for a target acquisition or merger. The value of investments in SPACs can be highly volatile and can depreciate over time.

In addition, investments in SPACs can be subject to the same risks as investing in any initial public offering, including the risks associated with companies that have little operating history as public companies, including unseasoned trading, small number of shares available for trading and limited information about the issuer. In addition, the market for IPO issuers can be volatile, and share prices of newly public companies have fluctuated significantly over short periods of time. Although some IPOs produce high returns, such returns are not typical and might not be sustainable.

- **Special Situations Investment Risks.** Certain of the companies in whose securities an account invests could be involved in (or are the target of) acquisition attempts or tender offers, in transition, out of favor, financially leveraged or troubled, or potentially troubled, and could be or have recently been involved in major strategic actions, restructurings, bankruptcy, reorganization or liquidation. These characteristics of these companies can cause their securities to be particularly risky, although they also can offer the potential for high returns. Additionally, these types of transactions present the risk that the transaction could be unsuccessful, take considerable time or result in a distribution of cash or a new security, the value of which is less than the purchase price. These companies' securities could be considered speculative, and the ability of the companies to pay their debts on schedule could be affected by adverse interest rate movements, changes in the general economic climate, economic factors affecting a particular industry or specific developments within the companies. An investment by an account in any instrument is subject to no minimum credit standard and a significant portion of the obligations and preferred stock in which an account could invest might be less than investment grade (commonly referred to as junk bonds), which can result in greater risks experienced by the account, as applicable, than it would if investing in higher rated instruments.
- **Tax Risk.** The tax treatment of investments held in a client portfolio could be adversely affected by future tax legislation, Treasury Regulations and/or guidance issued by the Internal Revenue Service regarding the character, timing, and/or amount of taxable income or gains attributable to an account. Income from tax-exempt

municipal obligations could be declared taxable because of unfavorable changes in tax laws, adverse interpretations by the Internal Revenue Service or non-compliant conduct of a bond issuer.

- **Tracking Error Risk.** Tracking error risk refers to the risk that the performance of a client portfolio does not match or correlate to that of the index it attempts to track, either on a daily or aggregate basis. Factors such as fees and trading expenses, client-imposed restrictions, imperfect correlation between the portfolio's investments and the index, changes to the composition of the index, regulatory policies, high portfolio turnover and the use of leverage all contribute to tracking error. Tracking error risk can cause the performance of a client portfolio to be less or more than expected.
- **Unrated Fixed Income Securities.** Unrated securities (which are not rated by a rating agency) could be less liquid than comparable, rated securities and involve the risk that purchasers might not accurately evaluate the security's comparative credit rating. To the extent that a pooled investment vehicle or investor's account invests in unrated securities, success in achieving the investment objective of such vehicle or account could depend more heavily on the investment manager's analysis of the creditworthiness of the issuer than if the vehicle or account invested exclusively in rated securities.
- **U.S. Government Securities Risk.** With respect to U.S. government securities that are not backed by the full faith and credit of the U.S. Government, there is the risk that the U.S. Government will not provide financial support to such U.S. government agencies, instrumentalities or sponsored enterprises if it is not obligated to do so by law. For example, a U.S. government-sponsored entity, such as Federal National Mortgage Association or Federal Home Loan Mortgage Corporation, although chartered or sponsored by an Act of Congress, could issue securities that are neither insured nor guaranteed by the U.S. Treasury and, therefore, are not backed by the full faith and credit of the United States. U.S. Treasury securities generally have a lower return than other obligations because of their higher credit quality and market liquidity.
- **Variable Interest Entities.** An account could gain economic exposure to certain operating companies in China through legal structures known as variable interest entities ("VIEs"). From time to time, an account's investments in U.S.-listed shell companies relying on VIE structures to consolidate China-based operations could be significant. In a VIE structure, a China-based operating company ("Operating Company") typically establishes an offshore shell company ("Shell Company") in another jurisdiction, such as the Cayman Islands, which then enters into service and other contracts with the Operating Company and issues shares on a foreign exchange, like the New York Stock Exchange or Hong Kong Exchange. Investors in VIE structures hold stock in the Shell Company rather than directly in the Operating Company and the Shell Company might not own stock or other equity in the Operating Company. Thus, VIE structures and these contractual arrangements are not equivalent to equity ownership in the Operating Company, which presents additional risks. Certain Chinese companies have used VIEs to facilitate foreign investment because of Chinese governmental prohibitions or restrictions on non-Chinese ownership (e.g., by U.S. persons and entities) of companies in certain industries in China. Through a VIE arrangement, the Operating Companies indirectly raise capital from non-Chinese investors (such as a Fund) without distributing ownership of the Operating Companies to such non-Chinese investors.

Investments in VIEs are subject to unique risks in addition to those generally associated with investments in China. For example, breaches of the contractual arrangements, changes in Chinese law or regulation with respect to enforceability or permissibility of these arrangements or failure of these contracts to function as intended would likely adversely affect an investment through a VIE structure. In addition, VIE structures are also subject to the risk of inconsistent and unpredictable application of Chinese law and regulations, that the Shell Company could be limited in its ability to control, or could lose control over, the Operating Company and that the equity owners of the Operating Company might have interests conflicting with those of the Shell Company's investors. There is also uncertainty related to the Chinese taxation of VIEs and the Chinese tax authorities could take positions that result in increased tax liabilities. Thus, investors face risks and uncertainty about future actions or intervention by the government of China or other similar developments (such as changes in regulations, laws and judicial decisions or interpretations), which could occur at any time and without notice and which could suddenly and significantly affect VIE structures, the Operating Companies and the enforceability of

the Shell Company's contractual arrangements with the Operating Company. If any of these or similar risks materialize, the value and liquidity of an account's investments in the Shell Company could be significantly adversely affected and an account could incur significant losses with no recourse available.

Although the China Securities Regulatory Commission published that it does not object the use of VIE structures for Operating Companies to raise capital from non-Chinese investors, there is no guarantee that the Chinese government or another Chinese regulator will not determine that these arrangements are inconsistent with Chinese laws or regulations or otherwise interfere with the operation of or disallow VIE structures or that this published position will remain unchanged. Intervention by the Chinese government with respect to VIE structures could materially adversely affect the Operating Company's performance, the enforceability of the Shell Company's contractual arrangements with the Operating Company and the value of the Shell Company's shares. Further, if the Chinese government or other regulatory or judicial authority determines that the agreements establishing the VIE structure do not comply with Chinese law and regulations, including those related to prohibitions on foreign ownership, the Operating Company could be subject to penalties, revocation of business and operating licenses or forfeiture of ownership interests. The Shell Company's ability to exert any control over the Operating Company could also be jeopardized if certain legal formalities are not observed in connection with the agreements, if the agreements are breached or if the agreements are otherwise determined not to be enforceable. If any of the foregoing or similar developments were to occur, the market value and liquidity of the associated investments would fall, causing substantial investment losses for an account with no recourse available.

- **Variable Rate Demand Notes ("VRDNs") Risks.** VRDNs are subject to a variety of risks, including but not limited to: (1) Renewal Risk: The risk of the inability to obtain an appropriate liquidity bank facility at an acceptable price to replace a facility upon termination or expiration of the contract period; (2) Liquidity Risk: The risk that in the event of a failed remarketing, the bank that has agreed to provide the letter of credit fails to honor its obligation to support the VRDNs; and (3) Default Risk: VRDNs typically are not secured by the assets of the issuer or the bank but are subject to the letter of credit provider honoring its obligations.

Item 9 Disciplinary Information

The Adviser has no information applicable to this Item.

Item 10 Other Financial Industry Activities and Affiliations

MSIM Co's ultimate parent company is Morgan Stanley, a corporation whose shares are publicly held and traded on the New York Stock Exchange under the symbol "MS". Morgan Stanley is a financial holding company under the Bank Holding Company Act of 1956, as amended. As a result, we are part of a large global financial services and banking group and you could have relationships with our affiliates beyond your relationship with us. These relationships can cause conflicts of interest.

Broker-Dealer Affiliates:

MSIM Co is affiliated with Morgan Stanley & Co. LLC ("MS&Co."), Morgan Stanley Smith Barney LLC ("MSSB"), Morgan Stanley Distribution Inc. ("MSDI"), Prime Dealer Services Corp., and E*Trade Securities LLC, each a registered broker dealer under the Securities Exchange Act of 1934, as amended ("34 Act"). In addition, MSIM Co is affiliated with Eaton Vance Distributors, Inc. ("EVD"), a broker-dealer registered with the SEC and a FINRA member firm. EVD was formerly a wholly owned subsidiary of EVC and is now a wholly owned subsidiary of Morgan Stanley. EVD is the principal underwriter and distributor of certain EV Funds. MSIM Co is also affiliated with other intermediaries, foreign broker-dealers and financial services companies, including, among others, Morgan Stanley & Co. International PLC, Morgan Stanley MUFG Securities Co., Ltd., Morgan Stanley India Company Private Ltd., Morgan Stanley Capital Group Inc., Morgan Stanley Senior Funding Inc., and Morgan Stanley Capital Services LLC (hereinafter, together with affiliated broker-dealers registered with the SEC, collectively referred to as "Affiliated Broker-Dealers").

When permitted by applicable law and subject to the considerations set forth in Item 12, "Brokerage Practices", below, MSIM Co utilizes Affiliated Broker-Dealers to effect portfolio securities, currency exchange, futures and other transactions for MSIM Co's managed accounts. The "Participation or Interest in Client Transactions" subsection in Item 11, "Code of Ethics, Participation or Interest in Client Transactions and Personal Trading" describes in greater detail the manner in which MSIM Co utilizes Affiliated Broker-Dealers to effect client transactions and the conflicts of interest that can arise.

Each of MSDI and EVD serve as distributor, placement agent and/or underwriter for certain registered and unregistered fund for which MSIM Co acts as investment adviser.

Investment Adviser Affiliates:

MSIM Co is part of a group of investment advisers within the Morgan Stanley Investment Management business, including: (1) Mesa West Capital, LLC; (2) Morgan Stanley Investment Management Inc.; (3) Morgan Stanley Investment Management Limited; (4) Morgan Stanley AIP GP LP; (5) Morgan Stanley Infrastructure, Inc.; (6) Morgan Stanley Private Equity Asia, Inc.; (7) MS Capital Partners Adviser, Inc.; (8) Morgan Stanley Real Estate Advisor, Inc.; (9) MSREF Real Estate Advisor, Inc.; (10) MSREF V, LLC; and (11) MSRESS III Manager, LLC; (12) Eaton Vance Management; (13) Calvert Research and Management; (14) Parametric Portfolio Associates LLC; (15) Atlanta Capital Management Company LLC; (16) Boston Management and Research, and (17) Eaton Vance Advisers International Ltd; (18) Morgan Stanley Eaton Vance CLO Manager LLC; and (19) Morgan Stanley Eaton Vance CLO CM LLC. (the "Affiliated Advisers").

MSIM Co is also affiliated with Morgan Stanley Investment Management (Japan) Co., Ltd., Morgan Stanley Investment Management Private Limited, Morgan Stanley Investment Management (Australia) Pty Limited, Morgan Stanley Asia Limited, and MSIM Fund Management (Ireland) Limited, which are investment advisers not required to be registered under the Advisers Act. MSIM Co could delegate certain contractual responsibilities to its affiliated investment advisers under advisory contracts for equity clients and could act as a sub-adviser to such affiliated investment advisers in respect of their clients. MSIM Co could also provide asset allocation advisory services to such affiliated investment advisers.

From time to time and with prior client consent MSIM Co delegates some or all of its responsibilities, duties and authority under an investment management agreement to one or more of the Affiliated Advisers to the extent permitted by applicable law. The Affiliated Advisers, in certain instances, likewise delegate some or all of their responsibilities, duties and authority to MSIM Co.

From time to time, MSIM Co provides investment advice to clients of U.S. Affiliated Advisers pursuant to a delegation or sub-advisory agreement, as applicable, between MSIM Co and the relevant U.S. Affiliated Adviser.

Morgan Stanley Asia Limited (the "Participating Affiliate") indirectly provides investment advice or research to certain of our accounts. Certain personnel employed by the Participating Affiliate indirectly provide investment advice to certain of our accounts in specialties in which they have particular expertise. The Participating Affiliate is subject to our supervision in respect of its provision of services to us and our accounts.

MSIM Co and certain of our affiliates also act as sub-adviser to registered investment companies which are not sponsored by us in addition to serving as adviser or sub-adviser to off-shore funds, group trusts, limited partnerships and limited liability companies, among others, that are sponsored by our affiliates.

Along with Morgan Stanley, we have established procedures intended to identify and mitigate conflicts of interest related to business activities on a worldwide basis. A conflict management officer for each business unit and/or region acts as a focal point to identify and address potential conflicts of interest in their business area. When appropriate, there is an escalation process to senior management within the business unit, and ultimately if necessary to firm management or the firm's franchise committees, for potentially significant conflicts that cannot be resolved by the conflict management officers or that otherwise require senior management review.

Banking Affiliates:

As mentioned above, we are a wholly owned subsidiary of Morgan Stanley. MSIM Co is also affiliated with Morgan Stanley Bank, N.A., an insured depository institution headquartered in Salt Lake City, Utah, which has businesses concentrated in institutional lending and securities-based lending for clients of its affiliated broker-dealers. In addition, MSIM Co is affiliated with Morgan Stanley Private Bank, N.A., a U.S. insured depository institution and a federally chartered national association whose activities are subject to regulation and examination by the Office of the Comptroller of the Currency.

MSIM Co is also affiliated with Eaton Vance Trust Company, a limited purpose non-depository trust company, organized and operating under the laws of Maine, which serves as trustee to common trust funds and collective investment trusts.

Electronic Communication Networks and Alternative Trading Systems

MSIM Co's affiliates have ownership interests in and/or Board seats on electronic communication networks ("ECNs") or other alternative trading systems ("ATs"). In certain instances our affiliates could be deemed to control one or more of such ECNs or ATs based on the level of such ownership interests and whether such affiliates are represented on the Board of such ECNs or ATs. Consistent with our fiduciary obligation to seek best execution, we can, from time to time, directly or indirectly, effect client trades through ECNs or other ATs in which our affiliates have or could acquire an interest or Board seat. These affiliates receive an indirect economic benefit based upon their ownership in the ECNs or other ATs. We will, directly or indirectly, execute through an ECN or other ATs in which an affiliate has an interest only in situations where we or the broker dealer through whom we are accessing the ECN or ATs reasonably believes such transaction will be in the best interest of its clients and the requirements of applicable law have been satisfied. Our affiliates might own over 5% of the outstanding voting securities and/or have a member on the Board of certain trading systems (or their parent companies), including (i) Copeland Markets LLC, (ii) MEMX Holdings LLC, (iii) OTCderiv Limited, (iv) Creditderiv Limited, (v) Equilend, (vi) FXglobalclear Limited, (vii) EOS Precious Metals Limited, (ix) Yensai.com Co., Ltd, and (x) Octaura Holdings LLC.

Our affiliates could acquire interests in and/or take Board seats on other ECNs or other ATs (or increase ownership in the ATs listed above) in the future.

Our affiliates receive cash credits from certain ECNs and ATs for certain orders that provide liquidity to their books. In certain circumstances, such ECNs and ATs also charge explicit fees for orders that extract liquidity from their books. From time to time, the amount of credits that our affiliates receive from one or more ECN or ATs exceed the amount that is charged. Under these limited circumstances, such payments would constitute payment for order flow.

EquiLend also provides securities loan transaction processing and reporting services to State Street, which serves as securities lending agent for certain clients. Because an affiliate of ours owns a non-controlling interest in EquiLend, we and our affiliates receive an indirect benefit from State Street's use of EquiLend's services.

Miscellaneous

MSIM Co outsources certain operations functions to State Street Bank and Trust Company ("State Street"). State Street provides a full range of investment operations outsourcing services including trade settlement, portfolio administration, reporting, and reconciliation services. The agreement with State Street demonstrates our continued commitment to delivering best-in-class service to our clients, while allowing us to concentrate on our core competency, institutional investment management.

Additional information about conflicts that could be caused by these affiliations is provided in response to Items 11, "Code of Ethics, Participation or Interest in Client Transactions and Personal Trading", and 12, "Brokerage Practices", of this Brochure.

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

Code of Ethics

MSIM Co has adopted the MSIM Code of Ethics and Personal Trading Policy (the "Code of Ethics") pursuant to Rule 204A-1 under the Advisers Act. Each of our employees is required to acknowledge the Code of Ethics at the inception of his/her employment and annually thereafter. The Code of Ethics is designed to make certain that all acts, practices and courses of business engaged in by MSIM Co's employees are conducted in accordance with the highest possible standards and to prevent abuse, or even the appearance of abuse, by employees with respect to their personal trading and other business activities.

Additionally, all MSIM Co employees are subject to firm-wide policies and procedures found in the Morgan Stanley Code of Conduct (the "Code of Conduct") that sets forth, among other things, restrictions regarding confidential and proprietary information, information barriers, information security, privacy and data protection, private investments, outside business interests and personal trading. All Morgan Stanley employees, including MSIM Co employees, are required to acknowledge that they have read, understand, are in compliance with and agree to abide by the Code of Conduct's terms as a condition of continued employment.

The Code of Ethics requires all employees to pre-clear trades for covered securities, as defined under the Code of Ethics, in a personal account. A pre-clearance request generally will be denied if there is an open order for a client in the same security. The Code of Ethics also imposes holding periods and reporting requirements for covered securities, which includes affiliated and sub-advised U.S. mutual funds. MSIM Co employees are prohibited from acquiring any security in an initial public offering or any other public underwriting. Investments in private placements or an employee's participation in an outside business activity must be pre-approved by Compliance and the employee's manager. Certain employees of MSIM Co who, in connection with job functions, make or participate in making recommendations regarding the purchase or sale of securities or who have real-time knowledge of such recommendations, are held to more stringent standards when placing trades in personal accounts. Violations of the Code of Ethics are subject to sanction, including reprimand, restricting trading privileges, reducing employees discretionary bonus, if any, potential reversal of a trade made in violation of the Code of Ethics or other applicable policies, suspension or termination of employment.

Upon request, MSIM Co will provide a copy of the Code of Ethics.

Investment Restrictions Arising from Possession of Material Non-Public Information

We are not permitted to use material non-public information ("MNPI") in effecting purchases and sales in public securities transactions. In the ordinary course of our operations, we obtain access to MNPI. At times, the acquisition of MNPI prohibits us from rendering investment advice to clients regarding the securities of an issuer of which we have MNPI, and thereby limits the universe of securities that we can purchase or sell. Similarly, where we decline access to or otherwise does not receive or share MNPI regarding an issuer, we would base our investment decisions with respect to assets of such issuer solely on public information, thereby limiting the amount of information available to us in connection with such investment decisions.

Participation or Interest in Client Transactions

The following section addresses trading activities of MSIM Co and its affiliates and various conflicts of interest that can arise and how such conflicts have been addressed.

Morgan Stanley Securities

MSIM will generally prohibit transactions in securities, including equity and debt, issued by Morgan Stanley and certain of its affiliates.

Broker-Dealer Affiliations

MSIM Co does not act as principal or broker in connection with client transactions. MSIM Co does, however, in the exercise of its discretion under its investment management agreement with a client, in certain instances, effect transactions in securities or other instruments for the client through affiliate ("Affiliated Broker-Dealers") which perform all of the activities set forth below.

In connection with transactions in which Affiliated Broker-Dealers will act as principal, MSIM Co will disclose to the client that the trade will be conducted on a principal basis and obtain the client's consent in accordance with the provisions of and rules under the Advisers Act and as otherwise or additionally agreed by contract or by other applicable law. MSIM Co will recommend that a client engage in such a transaction only when it believes that the net price for the security is at least as favorable as could have been obtained from another established dealer in such security.

MSIM Co's recommendations to clients could involve securities in which its Affiliated Broker-Dealers, or their officers, employees or other affiliates, have a financial interest. Affiliated Broker-Dealers and their officers, employees and other affiliates, can purchase or sell for their own accounts securities that MSIM Co recommends to its clients.

If permitted by a client's investment objectives and guidelines, applicable law, and MSIM Co's policies and procedures concerning conflicts of interest, MSIM Co could recommend that such client purchase, or use its discretion to effect a client purchase of, securities during the existence of an underwriting or other public or private offering of such securities involving an Affiliated Broker-Dealer as a manager, underwriter, initial purchaser, or placement agent. Among other things, MSIM Co must disclose to the client that the transaction involves an affiliate and obtain your consent to execute transactions with an affiliate on behalf of your account. Purchases are permitted from underwriters or placement agents other than an Affiliated Broker-Dealer in distributions in which an Affiliated Broker-Dealer is a manager and/or member of a syndicate or selling group, as a result of which an Affiliated Broker-Dealer will likely benefit from the purchase through receipt of a fee or otherwise. In situations in which a client has not permitted, or where it is prohibited by law, rule, or regulation, MSIM Co might be unable to purchase securities for a client's account in an initial or other public or private offering of securities involving an Affiliated Broker-Dealer.

From time to time, MSIM Co or its affiliates pursue the acquisition of investment managers who will manage private investment funds that would otherwise qualify as investments for the fund of funds clients. Due to the conflicts of interest involved and in accordance with applicable law, MSIM Co will not make any long-term investment for the fund of fund clients in any investment fund that is managed by an affiliate of MSIM Co, unless MSIM Co determines that (a) the investment is in accordance with the applicable fund of funds' relevant investment objectives, strategies and policies; and (b) such investment would not otherwise be prohibited by law or regulation. Accordingly, there could be investments that are unavailable to certain fund of fund clients due to the manager's affiliation with MSIM Co or its affiliates. Further, in the event that MSIM Co or its affiliates acquires a business or investment manager that is a manager of any investment fund, MSIM Co might need to liquidate any investment by a fund of funds client in an investment fund managed by such affiliated investment manager.

With client consent, and subject to the restrictions imposed on such transactions by Section 11(a) of the 1934 Act, as amended, and the rules thereunder, and other applicable law, MSIM Co will effect portfolio transactions through an Affiliated Broker-Dealer on an agency basis, including transactions in over-the-counter ("OTC") securities, where the Affiliated Broker-Dealer will act as agent in connection with the purchase and sale of OTC securities from market participants and will charge MSIM Co's clients a commission on the transactions. Since these are agency transactions, there is no mark up or mark down on the price of the security.

MSIM Co will effect client transactions through an Affiliated Broker-Dealer when, in MSIM Co's judgment, the client could thereby obtain the best execution of the transaction. Subject to MSIM Co's duty to seek best execution, MSIM Co could effect such transactions through an Affiliated Broker Dealer even though the total brokerage commission for the transaction is higher than that which might have been charged by another broker for the same transaction.

Cross and Agency Cross Transactions

From time to time, and where permitted by applicable law and the relevant client agreements, MSIM Co will effect "agency cross transactions" in which an Affiliated Broker-Dealer acts as agent for both the buyer and seller in the transaction. MSIM Co will only trade with an Affiliated Broker-Dealer on behalf of a client on an agency cross basis when the client has consented to MSIM Co's effecting such transactions. Any agency cross transaction will be effected in compliance with Rule 206(3)-2 under the Act and any other applicable law, as well as MSIM Co's policies and procedures designed to prevent and disclose potential conflicts of interest. The Affiliated Broker-Dealer can receive a commission from the seller and the buyer when it executes transactions on an agency cross basis under certain conditions. In effecting an agency cross transaction, we have potentially conflicting divisions of loyalties and responsibilities regarding the parties to the transaction.

From time to time, MSIM Co effects internal "cross" transactions between client accounts in which one client will purchase securities held by another client. Such transactions are entered into generally only when MSIM Co deems the transaction to be in the best interests of both clients and at a price MSIM Co has determined by reference to independent market indicators and which MSIM Co believes to constitute "best execution" for both parties.

We will not engage in cross-trade transactions for an advisory client whose investment management agreement does not explicitly permit the account to engage in cross trades and as a result, such clients will generally pay higher transaction costs and might not receive the most favorable execution than had a cross-trade been effected for a particular portfolio trade.

While we will seek to ensure that the terms of cross trades are fair and reasonable, and the transactions are executed in a manner that is in the best interest of the clients involved in the cross trade, clients should be aware that the price of a security bought or sold through a cross trade, in some cases, will not be as favorable as it might have been had the trade been executed on the open market. Neither MSIM Co nor any related party receives any compensation in connection with such "cross" transactions.

MSIM Co and related persons of MSIM Co will effect portfolio transactions through an Affiliated Broker-Dealer on behalf of clients in respect of which MSIM Co is a "fiduciary" as defined in the Employee Retirement Income Security Act of 1974, as amended ("ERISA") only on an agency basis and with prior written approval from an independent fiduciary in accordance with the terms of exemptions available from the Department of Labor, as well as in accordance with the restrictions imposed on such transactions by Section 11(a) of the 1934 Act, and the rules thereunder, and other applicable law.

MSIM Co is generally permitted to purchase securities on behalf of its ERISA clients from an underwriting or selling syndicate where an Affiliated Broker-Dealer participates as manager, or syndicate members with prior written approval from an independent fiduciary in accordance with the terms of exemptions available from the Department of Labor.

MSIM Co and the Affiliated Advisers, from time to time, execute client transactions with broker/dealers that do not have their own clearing facilities and who clear such transactions through an Affiliated Broker-Dealer. In such instances, the affiliated Broker-Dealer will receive a clearing fee for these transactions.

Services to Issuers Activities

MSIM Co and its affiliates provide a variety of services for, and render advice to, various clients, including issuers of securities that MSIM Co also recommend for purchase or sale by clients. In the course of providing these services, MSIM Co and its affiliates could come into possession of material, nonpublic information which might affect MSIM Co's ability to buy, sell, or hold a security for a client account. Investment research materials disclose that related persons of MSIM Co might own, and could effect transactions in, securities of companies mentioned in such materials and also can perform or seek to perform investment banking services for those companies. In addition, directors, officers and employees of MSIM Co's affiliates could have Board seats and/or have Board observer rights with private and/or publicly traded companies in which MSIM Co invests on behalf of its client accounts. MSIM Co (and its affiliates) have adopted policies and procedures and created information barriers that are reasonably designed to prevent the flow of any material

nonpublic information regarding these companies between MSIM Co and its affiliates. Directors, officers and employees of MSIM Co itself could also take Board seats or have Board observer rights with companies in which MSIM Co invests on behalf of its clients. Generally MSIM Co only does so with respect to private (not publicly traded) companies. To the extent a director, officer or employee of MSIM Co were to take a Board seat or have Board observer rights in a public company, MSIM Co (or certain investment teams within MSIM Co) would be limited and/or restricted in its ability to trade in the securities of the company to the extent MSIM Co (or certain investment teams within MSIM Co) possessed or were deemed to possess material nonpublic information regarding the company.

Investment Banking Activities

Morgan Stanley advises its clients on a variety of mergers, acquisitions and financing transactions. Morgan Stanley could act as an advisor to clients that could compete with our clients and with respect to our clients' investments. In certain instance, Morgan Stanley gives advice and takes action with respect to its clients or proprietary accounts that can differ from the advice MSIM provides, or involves an action of a different timing or nature than the action taken advised by MSIM. At times, Morgan Stanley will give advice and provide recommendations to persons competing with our clients and/or any of our clients' investments, contrary to the client's best interests and/or the best interests of any of its investments.

Morgan Stanley could be engaged in financial advising, whether on the buy-side or sell-side, or in financing or lending assignments that could result in Morgan Stanley's determining in its discretion or being required to act exclusively on behalf of one or more third parties, which could limit our clients' ability to transact with respect to one or more existing or potential investments. Morgan Stanley could have relationships with third-party funds, companies or investors who could have invested in or could look to invest in portfolio companies, and there could be conflicts between our clients' best interests, on the one hand, and the interests of a Morgan Stanley client or counterparty, on the other hand. To the extent that Morgan Stanley advises creditor or debtor companies in the financial restructuring of companies either prior to or after filing for protection under Chapter 11 of the Bankruptcy Code or similar laws in other jurisdictions, our flexibility in making investments in such restructurings on a client's behalf could be limited.

From time to time, different areas of Morgan Stanley will come into possession of MNPI as a result of providing investment banking services to issuers of securities. In an effort to prevent the mishandling of MNPI, Morgan Stanley will, at times, restrict trading of these issuers' securities by MSIM and our clients during the period such MNPI is held by Morgan Stanley, which period could be substantial. In instances where trading of an investment is restricted, our clients might not be able to purchase or sell such investment, in whole or in part, resulting in our clients' inability to participate in certain desirable transactions and/or a lack of liquidity concerning our clients' existing portfolio investments. This inability to buy or sell an investment could have an adverse effect on our client's portfolio due to, among other things, changes in an investment's value during the period its trading is restricted.

Morgan Stanley could provide investment banking services to competitors of our clients' portfolio companies, as well as to private equity and/or private credit funds, and such activities could present Morgan Stanley with a conflict of interest vis-a-vis a client's investment and also result in a conflict in respect of the allocation of investment banking resources to portfolio companies. To the extent permitted by applicable law, Morgan Stanley can provide a broad range of financial services to companies in which a client invests, including strategic and financial advisory services, interim acquisition financing and other lending and underwriting or placement of securities, and Morgan Stanley generally will be paid fees (that can include warrants or other securities) for such services. Morgan Stanley will not share any of the foregoing interest, fees and other compensation received by it (including, for the avoidance of doubt, amounts received by us) with our client, and any advisory fees payable will not be reduced thereby.

Morgan Stanley could be engaged to act as a financial advisor to a company in connection with the sale of such company, or subsidiaries or divisions thereof, could represent potential buyers of businesses through its mergers and acquisition activities and could provide lending and other related financing services in connection with such transactions. Morgan Stanley's compensation for such activities is usually based upon realized consideration and is usually contingent, in

substantial part, upon the closing of the transaction. Our clients might be precluded from participating in a transaction with or relating to the company being sold under these circumstances.

MSIM Co believes that the nature and range of clients to whom its Affiliated Broker-Dealers render investment banking and other services is such that it would be inadvisable to exclude these companies from a client's portfolio. Accordingly, unless client advises MSIM Co to the contrary, it is likely that client holdings will include the securities of corporations for whom its Affiliated Broker-Dealers perform investment banking and other services. Moreover, client portfolios could include the securities of companies in which its Affiliated Broker-Dealers make a market or in which MSIM Co, its officers and employees and its Affiliated Broker-Dealers or other related persons and their officers or employees have positions.

To meet applicable regulatory requirements, there are periods when MSIM Co will not initiate or recommend certain types of transactions in the securities of companies for which an Affiliated Broker Dealer is performing investment banking services. Clients will not be advised of that fact. In particular, when an Affiliated Broker-Dealer is engaged in an underwriting or other distribution of securities of a company, MSIM Co could be prohibited from purchasing or recommending the purchase of certain securities of that company for its clients. Notwithstanding the circumstances described above, a client, on its own initiative, can direct MSIM Co to place orders for specific securities transactions in a client account. In addition, MSIM Co generally will not initiate or recommend transactions in the securities of companies with respect to which affiliates of MSIM Co have controlling interests or are affiliated.

Investment Limits

Various federal, state or foreign laws, rules and regulations, as well as certain corporate charters adopted by issuers in which MSIM Co could invest, limit the percentage of an issuer's securities that can be owned by MSIM Co and its affiliates. MSIM Co is more likely to run into these limitations than investment advisers with fewer assets under management and/or that are not affiliated with a large financial institution or financial holding company. In certain instances, for purposes of these ownership limitations, MSIM Co's holdings on behalf of our clients will be aggregated with the holdings of its affiliates. These ownership limitations can be in the form of, among others: (i) a strict prohibition against owning more than a certain percentage of an issuer's securities (the "threshold"); (ii) a "poison pill" that would have a material dilutive impact on MSIM Co's holdings in that issuer should MSIM Co and its affiliates exceed the threshold; (iii) provisions that would cause MSIM Co and its affiliates to be considered "interested stockholders" of an issuer if MSIM Co and its affiliates exceed the threshold; and (iv) provisions that could cause MSIM Co and its affiliates to be considered an "affiliate" or "control person" of the issuer. MSIM Co will generally avoid exceeding the threshold in these situations. With respect to situations in which MSIM Co and its affiliates could be considered "interested stockholders" (or a similar term), MSIM Co will generally avoid exceeding the threshold because if MSIM Co were considered an interested stockholder, MSIM Co and its affiliates would be prohibited (in some cases absent Board and/or shareholder approval) from entering into certain transactions or performing certain services (including investment banking, financial advisory and securities lending) with or for the issuer. MSIM Co will also generally avoid exceeding a threshold in situations in which MSIM Co might be considered an affiliate of the issuer for the reasons set forth above, as well as the fact that should MSIM Co be considered an affiliate of an issuer, MSIM Co's ability to trade in the issuer's securities would become limited. For additional information on certain regulatory risks and limitations, including as a result of the Volcker Rule, please see the "Legal and Regulatory Risks" sub-section in Item 8, "Methods of Analysis, Investment Strategies and Risk of Loss"

Investments in Affiliated Investment Funds

When permitted by applicable law and the investment guidelines applicable to individual client accounts, and considered by MSIM Co to be in the best interests of a client, MSIM Co could recommend to clients, and invest the assets of client accounts in various closed-end and open-end investment companies and other pooled investment vehicles with respect to which MSIM Co or its affiliates receive compensation for advisory, administrative, or other services.

In certain circumstances, when required by applicable law or by agreement with the client, MSIM Co will waive its investment management fee with respect to assets invested in pooled investment vehicles to the extent of some or all

of the compensation received by MSIM Co and its affiliates for services rendered with respect to such pooled investment vehicles. We do not, in all instances, waive such investment management fees.

Certain limitations are imposed on our ability to invest, on behalf of our clients, in products sponsored or advised by an affiliated entity, including the EV Funds.

Investment Management Activities

It is possible that officers or employees of MSIM Co buy or sell securities or other instruments that MSIM Co has purchased on behalf of or recommended to clients. Moreover, MSIM Co from time to time will purchase and sell on behalf of or recommend to clients the purchase or sale of securities in which it or its officers, employees or related persons have a financial interest. These transactions are subject to MSIM Co's policies and procedures regarding personal securities trading, as well as to the requirements of the Advisers Act, the 1940 Act and other applicable laws. MSIM Co's policies and procedures, the Advisers Act and the 1940 Act require that MSIM Co puts its clients' interests before its own.

From time to time, various potential and actual conflicts of interest arise from the overall advisory, investment and other activities of MSIM Co, its affiliates, and personnel (each, an "Advisory Affiliate" and, collectively, the "Advisory Affiliates").

The Advisory Affiliates manage long and short portfolios. The simultaneous management of long and short portfolios creates conflicts of interest in portfolio management and trading in that opposite directional positions could be taken in client accounts managed by the same investment team, and creates risks such as (i) the risk that short sale activity could adversely affect the market value of long positions in one or more portfolios (and vice versa) and (ii) the risks associated with the trading desk receiving opposing orders in the same security simultaneously. The Advisory Affiliates have adopted policies and procedures that are reasonably designed to mitigate these conflicts. In certain circumstances, the Advisory Affiliates invest on behalf of themselves in securities and other instruments that would be appropriate for, held by, or that fall within the investment guidelines of the mutual funds and/or managed accounts managed by them (collectively, the "Advisory Clients"). At times, the Advisory Affiliates will give advice or take action for their own accounts that differs from, conflicts with, or is adverse to advice given or action taken for any of the Advisory Clients.

From time to time, conflicts also arise due to the fact that certain securities or instruments are held in some Advisory Clients but not in others, or the Advisory Clients could have different levels of holdings in certain securities or instruments, and because the Advisory Clients pay different levels of fees to MSIM Co. In addition, at times an Advisory Affiliate will give advice or take action with respect to the investments of one or more Advisory Clients that is not given or taken with respect to other Advisory Clients with similar investment programs, objectives, and strategies. Accordingly, Advisory Clients with similar strategies will not always hold the same securities or instruments or achieve the same performance. Advisory Affiliates also advise Advisory Clients with conflicting programs, objectives or strategies.

Any of the foregoing activities could adversely affect the prices and availability of other securities or instruments held by or potentially considered for one or more Advisory Clients. Finally, the Advisory Affiliates could have conflicts in allocating their time and services among their Advisory Clients. MSIM Co will devote as much time to each of its Advisory Clients as it deems appropriate to perform its duties in accordance with its respective management agreements.

Different clients of MSIM Co, including funds advised by MSIM Co or an affiliate, could invest in different classes of securities of the same issuer, depending on their respective client's investment objectives and policies. As a result, MSIM Co, at times, will seek to satisfy its fiduciary obligations to certain clients owning one class of securities of a particular issuer by pursuing or enforcing rights on behalf of those clients with respect to such class of securities, and those activities could have an adverse effect on another client, which owns a different class of securities of such issuer. For example, if one client holds debt securities of an issuer and another client holds equity securities of the same issuer, if the issuer experiences financial or operational challenges, MSIM Co could seek a liquidation of the issuer on behalf of the client that holds the debt securities, whereas the client holding the equity securities might benefit from a reorganization of the issuer. Thus, in such situations, the actions taken on behalf of one client can negatively impact securities held by another client. MSIM Co has adopted procedures pursuant to which conflicts of interest, including

those resulting from the receipt of material nonpublic information about an issuer, are managed by MSIM Co's employees through information barriers and other practices.

Investments by Separate Investment Departments

The entities and individuals that provide investment-related services may differ by client, investment function, or business line (each, an "Investment Department" and collectively, the "Investment Departments"). Nonetheless, Investment Departments (with certain exceptions) may engage in discussions and share information and resources with another Investment Department (or a team within the other Investment Department) regarding investment-related matters. The sharing of information and resources between the Investment Departments is designed to further increase the knowledge and effectiveness of each Investment Department. However, an investment team's decisions as to the use of shared research and participation in discussions with another Investment Department could adversely impact a client. Certain investment teams within one Investment Department may make investment decisions and execute trades together with investment teams within other Investment Departments. Other investment teams make investment decisions and execute trades independently. This may cause the quality and price of execution, and the performance of investments and accounts, to vary. Internal policies and procedures set forth the guidelines under which securities and securities trades can be crossed, aggregated, and coordinated between accounts serviced by different Investment Departments. Internal policies and procedures take into consideration a variety of factors, including the primary market in which such security trades. If a security or securities trade is ineligible for crossing, aggregation, or other coordinated trading, then each Investment Department will execute such trades independently of the other.

General Process with Potential Conflicts

All of the transactions described above involve the potential for conflicts of interest between MSIM Co or related persons of a MSIM Co and its clients. The Advisers Act, the 1940 Act and ERISA impose certain requirements designed to decrease the possibility of conflicts of interest between an investment adviser and its clients. In some cases, transactions could be permitted subject to fulfillment of certain conditions. Certain other transactions could be prohibited. MSIM Co has instituted policies and procedures designed to prevent conflicts of interest from arising and, when they do arise, to ensure that it effects transactions for clients in a manner that is consistent with its fiduciary duty to its clients and in accordance with applicable law. MSIM Co seeks to ensure that potential or actual conflicts of interest are appropriately resolved taking into consideration the overriding best interest of the client.

MSIM Co has adopted policies and procedures and established controls such as the MSIM Conflicts of Interest and Franchise Committee designed to require review of transactions in which conflicts of interest could exist, including those described above, to ensure that applicable policies and legal and regulatory requirements are followed.

Item 12 Brokerage Practices

Best Execution and Brokerage Selection Factors

When MSIM Co has authority to select brokers for client accounts, MSIM Co selects broker-dealers for the execution of transactions in accordance with our duty to seek “best execution” (i.e., to seek the most favorable overall price and execution under the circumstances existing at the time of the transaction). In seeking best execution, we are not obligated to choose the broker-dealer offering the lowest available commission rate if, in our reasonable judgment, (i) we believe that the total costs or proceeds from the transaction might be less favorable than could be obtained elsewhere; (ii) a higher commission is justified by the brokerage and research services provided by the broker-dealer that fall within the safe harbor of Section 28(e) of the 1934 Act (“Section 28(e)”) or otherwise is permitted under applicable law, rules, and regulations of the relevant jurisdictions in which we operate, and under applicable agreements; or (iii) other considerations, such as the order size, the time required for execution, the depth and breadth of the market for the security, minimum credit quality requirements to transact business with a particular broker-dealer, or the quality of the broker-dealer’s back office or other considerations support our decision to use a different broker-dealer.

With certain exceptions, when effecting transactions on behalf of clients, we can select any broker-dealer on our list of approved broker-dealers. Approved broker-dealers have met criteria as established by our Trading and Research Governance team (“TRG”). TRG reviews and approves broker-dealers periodically to determine whether broker-dealers on our approved list continue to meet such criteria. Changes to the approved brokers list are reported quarterly to the Counterparty Governance Committee (“CGC”), as well as other Committees and forums, where relevant.

When selecting an approved broker-dealer (including an affiliate) to execute securities transactions, the trading desk considers some or all of the following factors:

- Best available price;
- Reliability, integrity, financial responsibility, and reputation in the industry (which can include a review of financial information and creditworthiness);
- Trade limitation and/or execution capabilities, including block positioning, speed of execution and quality and responsiveness of its trading desk;
- Knowledge of and access to the relevant markets for the securities being traded;
- Potential ability to obtain price improvement;
- Ability to maintain confidentiality;
- Ability to handle non-traditional or complex trades;
- Commission and commission-equivalent rates;
- Proprietary and third-party research (but only to the extent permissible under applicable law and under applicable agreements);
- Technology infrastructure;
- Clearance and settlement capabilities;
- The size of the trade relative to other trades in the same instrument;
- Ability of the counterparty to commit its capital and its access to liquidity, including product liquidity;
- Counterparty restrictions associated with a portfolio, including regulatory trading, documentation requirement, or any specific clearing broker-dealer requirements;
- Client directed execution;
- Client specific restrictions;
- Assignment fees;
- Agent bank considerations (i.e., whether to trade with or away from the administrative agent); and
- Such other factors as we determine to be appropriate.

Soft Dollars – Commission Sharing Arrangements

Subject to our duty to seek best execution, we and certain of our Affiliated Advisers use a portion of the commissions generated when executing client transactions to acquire brokerage and research services that aid us in fulfilling our investment decision-making responsibilities in accordance with Section 28(e) and applicable law. Commissions paid to broker-dealers providing us brokerage and research services at times will be higher than those charged by other broker-dealers. We receive a benefit when we use client commissions to obtain brokerage and research services because we do not have to produce or pay for the brokerage research services ourselves. Therefore, we have an incentive to select or recommend a broker-dealer based on our interest in receiving brokerage and research services, rather than solely on our clients' interest in obtaining the best price.

We have adopted policies and procedures designed to help us track and evaluate the benefits we receive from brokerage and research services, as well as to track how much our clients pay above the amount that broker-dealers from which we receive brokerage and research services would have charged solely for execution of such trades. We and the Affiliated Advisers utilize a voting system to assist us in making a good faith determination of the value of brokerage and research services we receive in accordance with Section 28(e) and applicable law. In many cases, these involve subjective judgments or approximations. We and the Affiliated Advisers have established a process for budgeting research costs and allocating such costs across client accounts. Each of our portfolio management ("PM") teams establishes a research budget at the start of each calendar year that sets the expected cost to be spent by the team on external research services for the same year. These research budgets are reviewed and approved by our Research Committee, allocated across all accounts managed by the PM team in accordance with our policies.

We and certain of the Affiliated Advisers have entered into commission sharing arrangements ("CSAs") with executing brokers ("CSA Partners") and a third party vendor ("CSA Aggregator") that assist us with administration of research payments and commissions. Pursuant to these arrangements, and under our supervision, the CSA Partners and the CSA Aggregator track execution and research commissions separately and pool and distribute research credits in accordance with the policies and procedures discussed above to approved research providers (which include executing brokerage firms or independent research providers ("Approved Research Providers")) that provide us with brokerage and research services. The CSA Aggregator also reconciles research credits from trades with CSA Partners and that are payable to Approved Research Providers and provide other related administrative functions. In addition, from time to time, a CSA Partner will provide us and the Affiliated Advisers with proprietary research it has developed and, upon our instruction, retain research commission credits as compensation for the provision of such proprietary research services.

Transactions that generate research credits include equity transactions executed on an agency and riskless principal basis where the executing broker-dealer receives a commission. We and the Affiliated Advisers do not use CSAs or otherwise have arrangements to pay for brokerage and research services with client commissions in connection with trading fixed income securities. Consistent with long-standing industry practice in the fixed income markets, however, we and the Affiliated Advisers, subject to applicable law, receive brokerage and research services and other information, including access to fixed income trading platforms that dealers provide for no charge to their customers in the ordinary course of business. Fixed income instruments typically trade at a bid/ask spread and without an explicit brokerage charge. While there is not a formal trading expense or commission, clients will bear the implicit trading costs reflected in these spreads.

We and the Affiliated Advisers receive "mixed use" products and services from Approved Research Providers, where a portion of the product or service assists us in our investment decision-making process in accordance with Section 28(e) and a portion could be used for other purposes. Where a product or service has a mixed use, we will make a reasonable allocation of its cost according to its use and will use client commissions to pay only for the portion of the product or service that assists us in our investment decision-making process. We and the Affiliated Advisers have an incentive to allocate the costs to uses that assist us in our investment decision-making process because, in such instances, we pay for such costs with client commissions rather than our own resources. To the extent we receive "mixed use" products

and services, we and the Affiliated Advisers will allocate the anticipated costs of a mixed use product or service in good faith and maintain records concerning our allocations in order to mitigate such conflicts.

Client accounts that pay a greater amount of commissions relative to other accounts generally bear a greater share of the cost of brokerage and research services than such other accounts. We at times, will use brokerage and research services obtained with brokerage commissions from some clients for the benefit of other clients whose brokerage commissions do not pay for such brokerage and research services. We also, from time to time, share brokerage and research services with the Affiliated Advisers, and the clients of the Affiliated Advisers receive the benefits of such brokerage and research services. These arrangements remain subject to our overall obligation to seek best execution for our client trading.

Certain of the Affiliated Advisers are subject to the European Union's Markets in Financial Instruments Directive II ("MiFID II" and such Affiliated Advisers, "MiFID II Affiliated Advisers"), which is a European regulation governing conduct by investment advisers, among others. Under MiFID II, our MiFID II Affiliated Advisers are permitted to receive research (other than research that qualifies as a "Minor Non- Monetary Benefit" under MiFID II ("MNB")) without it constituting an unlawful inducement if they pay for the research directly from their own resources or from research payment accounts funded by their clients. Our MiFID II Affiliated Advisers engage us as sub-adviser or otherwise delegate to us authority to manage their client accounts ("MiFID II Accounts"). While we are not directly subject to the provisions of MiFID II, in accordance with those arrangements, we make a reasonable valuation and allocation of the cost of the research as between MiFID II Accounts and other accounts that participate in CSAs and will pay for any research we receive with respect to MiFID II Accounts (other than research that qualifies as a MNB) from our own resources. We and our MiFID II Affiliated Advisers could separately pay for fixed income research from their own resources. As a result, MiFID II Accounts at times will pay commission rates that are below the total commission rates paid by other client accounts.

For information about the soft dollar practices of the EV Advisers, please refer to the disclosure brochure of the applicable EV Adviser.

Trade Aggregations

When permitted under applicable law, each Portfolio Management team generally will aggregate orders of its clients (and, in some cases, clients managed by other Portfolio Management teams) for the same securities in a single order so that such orders are executed simultaneously in order to facilitate best execution and to reduce brokerage costs. We can aggregate client orders with the orders of clients of the Affiliated Advisers and accounts in which we or our officers, employees or related persons have a financial interest. However, we effect aggregated orders in a manner designed to ensure that no participating client is favored over any other client.

In general, accounts that participate in an aggregated order will participate on a pro rata or other objective basis. Pro rata allocation of securities and other instruments will generally consist of allocation based on the order size of a participating client account in proportion to the size of the orders placed for other accounts participating in the aggregated order. However, we, at times and where we deem appropriate, allocate such securities and other instruments using a method other than pro rata if their supply is limited, based on differing portfolio characteristics among accounts, because of counterparty preferences or requirements, or to avoid odd lots or small allocations, among other reasons. These allocations are made in our good faith judgment with a goal of ensuring that fair and equitable allocation will occur over time. There are times that we are not able to aggregate orders because of applicable law or other considerations when doing so might otherwise be advantageous.

MSIM Co and the Affiliated Advisers are subject to differing requirements governing aggregation of orders, including provisions of the 1940 Act that restrict joint transactions and MiFID II that govern the circumstances under which MiFID II Accounts are permitted to pay for research. As a result, MiFID II Accounts at times will pay commission rates that are below the total commission rates paid by other client accounts included in the order.

Directed, Restricted or Constrained Brokerage Arrangements

Depending on the particular program selected or contractual arrangement, clients can limit our authority to advise accounts or execute transactions in a number of ways, including by:

1. requiring that certain securities transactions be authorized by them in advance;
2. prohibiting or limiting the purchasing of certain securities or industry groups;
3. seeking to require a designated broker-dealer ("Designated Broker") to execute all or a portion of their transactions ("Directed Trades"), which can be structured as "directed brokerage" arrangements or "brokerage recapture" arrangements; and/or
4. restricting us from executing transactions through a particular broker-dealer and/or imposing restrictions, conditions, or other constraints on the terms of a trade or broker arrangement to which a particular broker-dealer might not agree ("Restricted/Constrained Trades").

The restrictions imposed by Designated Broker arrangements could cause us to trade the securities held by these accounts differently from how we trade for client accounts for which we are not so restricted. Directed Trades and Restricted/Constrained Trades are generally not aggregated for execution with transactions in the same securities for other clients, and we might be unable to obtain the same quality of execution on Directed Trades or Restricted/Constrained Trades for a number of reasons, which include, but are not limited to:

- A client direction, restriction or constraint will frequently restrict our ability to obtain as favorable a transaction price or commission rate as we might otherwise be able to obtain on an unconstrained trade;
- The account could forego benefits from savings on execution costs that could otherwise be obtained, most notably commission savings and/or price improvement that derive from aggregating orders for various client accounts;
- If a Designated Broker is not on our approved list of brokers, there can be additional credit and/or settlement risk for such trades;
- We will not be obligated to, and in most cases will not, negotiate with a Designated Broker to obtain commission rates more favorable or otherwise different from those to which the client has agreed;
- A Directed Trade or Restricted/Constrained Trade can result in a client account paying higher or otherwise different commissions from other clients of ours for transactions in the same security; and
- We could effect a Directed Trade or a Restricted/Constrained Trade after another broker has effected transactions in the same security for client accounts for which we have discretion to select the broker and trading venue, which also could negatively affect the prices received by clients that direct, restrict or otherwise constrain trades.

Notwithstanding the foregoing, when a client has directed brokerage for its account and maintains that we remain subject to best execution, if eligible, we can aggregate those Directed Trades or Restricted/Constrained Trades along with trades executed for other client accounts through the broker-dealer that we believe will offer the best execution for such transaction and, thereafter, in the case of a directed brokerage arrangement, instruct such executing broker-dealer to "step-out" or allocate a portion of the trades to the client's Designated Broker to perform other non-execution portions of the trade.

Designated Brokers, including those participating in "step-out" arrangements, generally do not provide us with brokerage and research services other than trade execution for the client account. As a result, the brokerage and research services obtained with brokerage commissions from our clients that do not participate in Designated Brokerage arrangements could be used for the benefit of our clients who do so participate, which could result in such other client accounts bearing a greater share of research costs than clients participating in Designated Broker arrangements. These arrangements remain subject to our overall obligation to obtain best execution for our client trading.

Account Errors and Error Resolution

MSIM Co has policies and procedures to help it assess and determine, consistent with applicable standards of care and client documentation, when a client will be reimbursed in connection with a trading error. Pursuant to these policies, an error will generally be reimbursable when MSIM Co has executed a transaction that is an error that, in MSIM Co's reasonable view, resulted from MSIM Co's failure to observe the applicable standard of care, subject to materiality and other considerations. MSIM Co could determine to treat an error as compensable for a variety of reasons and the payment of any compensation should not be viewed as a determination of fault or violation of a standard of care.

Item 13 Review of Accounts

The portfolio managers of MSIM Co generally review all accounts on a daily basis. Accounts are reviewed for a number of factors, including but not limited to, performance, sector and asset allocation, adherence to MSIM Co's investment policies and strategies and specific security ownership, all within the context of client guidelines and objectives.

If MSIM Co manages a client's money as a separate account, the client is provided reports of transactions as they are effected (if requested by the client), portfolio valuations and summaries of portfolio changes on a quarterly basis or as otherwise negotiated with the client. Additionally, MSIM Co will meet with clients quarterly, annually or as requested to discuss the performance of the client's account, MSIM Co's management of the client's account, and any other issues of concern to the client. MSIM Co will provide additional reports or information to the client upon request.

Investors in private funds are provided such information and reports as provided in the fund's governing and disclosure documents. In some cases, MSIM could agree with a particular investor to provide additional reporting or more detailed or timely reporting. Except as otherwise agreed or required by applicable law, MSIM is not required to inform other investors of such arrangements or to offer similar reporting to other investors. To comply with the Custody Rule, as discussed below, investors generally will receive audited financial statements for the private fund within 120 days (or 180 days or longer for certain funds of funds) following the fund's fiscal year end. Investors can also receive Forms K-1 and other tax reporting information, as provided in the fund's governing and disclosure documents.

Item 14 Client Referrals and Other Compensation

MSIM Co has compensated, and expects to continue to compensate, affiliates and unrelated third parties for client referrals in accordance with relevant rules under the Advisers Act. The compensation paid to any such entity will typically consist of a cash payment stated as a percentage of MSIM Co's advisory fee, but also include cash payments determined in other ways.

We are also referred advisory clients by affiliated and unaffiliated parties/consultants that are retained by clients or prospective clients. While we do not make payments for solicitations or client referrals to these consultants, we make cash payments to participate in conferences sponsored by such consultants to obtain information about industry trends and client investment needs. We can also purchase products or services from the consultants and/or their affiliates.

These arrangements could cause referrals to us by these affiliates and other third parties for reasons other than the client's best interest.

Item 15 Custody

MSIM Co is deemed to have “custody” of client assets in a variety of circumstances, and in each case we will comply with the custody requirements under the Advisers Act. MSIM Co has custody of client assets any time that we have authority or ability to obtain possession of client assets. MSIM Co would thus be deemed to have custody of the assets of the funds for which we or an affiliate serves as general partner or for which we or an affiliate serves as the managing member or otherwise has the authority or ability to obtain possession of fund assets. In those cases, the funds generally provide audited financial statements on an annual basis in accordance with applicable law. Additionally, where we are deemed to have custody over other advisory client accounts, clients will receive quarterly account statements from the qualified custodian for such account. Clients should carefully review the account statements received from the qualified custodian and compare them to statements received from us.

Item 16 Investment Discretion

MSIM Co typically receive discretionary authority to select the securities and other instruments to be bought or sold at the time we establish an advisory relationship with you by entering into an investment management agreement. In all cases, however, such discretion is exercised in a manner consistent with the stated investment objectives and guidelines. As discussed under Item 12 of this Brochure, “Brokerage Practices”, clients can impose certain limitations on MSIM Co’s use of broker-dealers.

For registered investment companies, MSIM Co’s authority to trade securities is limited, in certain circumstances, by certain federal securities and tax laws that require, among other things, diversification of investments.

Item 17 Voting Client Securities

Voting Proxies for Equity Securities

We use our best efforts to vote proxies as part of our authority to manage, acquire and dispose of account assets. We and our affiliates generally vote proxies for equity securities and corporate actions under the MSIM Equity Proxy Voting Policies and Procedures (the “Policy”) pursuant to authority granted under the applicable investment advisory agreement or, in the absence of such authority, as authorized by the Board of Directors/Trustees of the Morgan Stanley Funds. We will not vote proxies unless the investment advisory agreement or Board of Directors/Trustees explicitly authorizes us to vote proxies.

We and our affiliates will vote proxies in a prudent and diligent manner and in the best interests of clients, including beneficiaries of and participants in a client’s benefit plan(s) for which we manage assets, consistent with the objective of maximizing long-term investment returns (the “Client Proxy Standard”). In certain situations, you can provide us with a proxy voting policy. In these situations, we will comply with your policy. In addition to voting proxies at portfolio companies, MSIM generally engages with the management and, at times, also engages with the board, of companies in which we invest on a range of governance issues. We consider governance to be a window into management and board quality. MSIM typically engages with companies where we have larger positions, voting issues are material or where we believe we can make a positive impact on the governance structure. We believe that MSIM’s engagement process, through private communication with companies, allows us to understand the governance structures at investee companies and better inform our voting decisions.

The Policy addresses a broad range of issues, and provides general voting parameters on proposals that arise most frequently. However, details of specific proposals vary, and those details affect particular voting decisions, as do factors specific to a given company. We endeavor to integrate governance and proxy voting policy with investment goals, using the vote to encourage portfolio companies to enhance long-term shareholder value and to provide a high standard of transparency such that equity markets can value corporate assets appropriately.

We seek to follow the Client Proxy Standard for each client. At times, this could result in split votes, for example when different clients have varying economic interests in the outcome of a particular voting matter (such as a case in which varied ownership interests in two companies involved in a merger result in different stakes in the outcome). We also split votes at times based on differing views of portfolio managers.

We could determine to abstain on matters for which disclosure is inadequate. We usually support routine management proposals except for certain “other business” and “meeting adjournment” proposals. From time to time, MSIM retains third-party advisers to provide a variety of proxy-related services, including in-depth research, global issuer analysis, and voting recommendations (“Research Providers”). While MSIM can review and utilize the recommendations of such Research Providers, MSIM is in no way obligated to follow such recommendations, and votes all proxies based on the Policy and Client Proxy Standard.

Votes on board nominees can involve balancing a variety of considerations, including those related to board and board committee independence, term length, whether nominees could be overcommitted, director attendance and diligence, financial knowledge and experience, executive and director remuneration practices, board diversity, and board responsiveness. We consider withholding support from or voting against a nominee if it believes a direct conflict exists between the interests of the nominee and the public shareholders, including failure to meet fiduciary standards of care and/or loyalty. We can oppose directors where we conclude that actions of directors are unlawful, unethical or negligent. We consider opposing individual board members or an entire slate if we believe the board is entrenched and/or dealing inadequately with performance problems; if we believe the board is acting with insufficient independence between the board and management; or if we believe the board has not been sufficiently forthcoming with information on key governance or other material matters.

We examine a range of issues, including proxy contests and proposals relating to mergers, acquisitions and other special corporate transactions, on a case-by-case basis in the interests of each client. We support substantial management/board discretion on capital structure, but within limits that take into consideration articulated uses of capital, existence of preemptive rights, and certain shareholder protections provided by market rules and practices. We are generally supportive of reasonable shareholder rights.

We vote on advisory votes on executive pay on a case-by-case basis. We generally support equity compensation plans if we view potential dilution/cost as reasonable, and if plan provisions sufficiently protect shareholder interests. We also support appropriately structured bonus and employee stock purchase plans. We support proposals that if implemented would enhance useful disclosure, but we generally vote against proposals requesting reports that we believe are duplicative, related to matters not material to the business, or that would impose unnecessary or excessive costs.

We consider social and environmental shareholder proposals on a case-by-case basis, but generally support proposals that seek to enhance useful disclosure.

Process: An MSIM Proxy Review Committee (the “Committee”) has overall responsibility for the Policy. Because proxy voting is an investment responsibility and impacts shareholder value, and because of their knowledge of companies and markets, portfolio managers and other members of investment staff play a key role in proxy voting, and individual investment teams are responsible for determining decisions on proxy votes with consultation from the Global Stewardship Team.

The Committee meets at least quarterly, and reviews and considers changes to the Policy at least annually. If the Director of our Global Stewardship Team determines that an issue raises a material conflict of interest, the Director can request a special committee to review, and recommend a course of action with respect to, the conflict(s) in question.

We generally will not make any filings in connection with any shareholder class action lawsuits and similar matters involving securities held or that were held in separate accounts and will not be required to notify custodians or clients in separate managed accounts of shareholder class action lawsuits and similar matters. We will not be responsible for any failure to make such filings or, if we determine to make such filings, to make such filings in a timely manner. Upon client request, we will consider on a case-by-case basis participation in non-US class action lawsuits.

Further Information: You can contact your Client Representative or Financial Advisor for information on how to obtain a copy of the Policy or proxy voting records. In the case of registered investment companies we advise, the fund’s proxy voting records filed with the SEC are available (i) without charge by accessing the Mutual Fund Center on our web site at www.morganstanley.com/funds and (ii) on the SEC’s web site at www.sec.gov.

Related, but supplemental, to MSIM Co’s formal proxy voting policy, MSIM Co’s investment teams – in particular, those teams acting for client strategies that are responsive to ESG considerations – have the ability to employ the shareholder rights and stakeholder influence that MSIM Co exercises on behalf of its clients to encourage, where relevant, strong ESG practices with issuers, borrowers and counterparties. MSIM Co seeks to engage in these types of stewardship and engagement practices in a manner that is consistent with its role as a responsible long-term investor, its fiduciary obligations, and any specific client directions.

Voting Consents for Fixed Income Instruments

While loans, bonds and other fixed income or debt investments (“Fixed Income Instruments”) held by MSIM’s clients are not expected to solicit proxies, a client could, from time to time, own interests in Fixed Income Instruments that grant other voting rights or solicit consents. Unless otherwise stated under the terms of our agreements with our clients, MSIM has authority to exercise certain decision-making rights associated with Fixed Income Instruments (“Consents”). In these cases, we could be called upon to provide or withhold consent to proposed modifications to the terms and covenants of a Fixed Income Instrument. To the extent that a client grants us authority to act in these circumstances, we will seek to make consent decisions in a prudent and diligent manner, and in the best interest of the client from which consent is sought, subject at all times to each such client’s investment objectives. In some cases, we could determine that refraining from exercising a consent is appropriate.

Although we aim to exercise Consents in a manner consistent with the best interest of our clients, the details or the circumstances of a particular Consent could present potential conflicts of interest. Conflicts of interest regarding our decision to exercise or withhold Consents currently exist and can arise under a wide range of scenarios. For example, we face conflicts of interest in making a Consent decision as to a loan where Morgan Stanley has a business relationship with or interests in the obligor, a related sponsor, or another party with an interest in the outcome of a Consent request. In addition, conflicts exist where one or more clients hold or acquire interests in an obligor that are of a different class than, are junior or senior to or otherwise have different rights than interests in the same obligor that are held by one or more other clients or accounts. In these situations, the interests of one or more clients could diverge from those of other clients or accounts with respect to the voting of proxies or exercise of Consents to the extent the different rights and features of the interests held by one or more clients or other accounts create an interest in obtaining an outcome that is contrary to the interests of others. Conflicts also can arise if a senior executive of, or other person connected with, the obligor or another party with an interest in the outcome of a Consent request has a significant relationship with our personnel or those of Morgan Stanley. We also face conflicts of interest to the extent that we hold Fixed Income Instruments and are called upon to exercise rights under those Fixed Income Instruments where the outcome of the exercise of such rights could benefit us or an affiliate or operate to the detriment of other holders of the Fixed Income Instruments. Investors should understand that we can exercise our rights under any Fixed Income Instruments in which we hold an interest in such a manner as we determine to be in our best interest (which could be contrary to the interests of other investors in the instrument), except to the extent limited by the governing documents of the instrument. In some cases, we might determine to exercise (or withhold) a consent on behalf of one or more clients while taking the opposite action (or no action) on behalf of one or more other clients, when we believe that doing so reflects the particular best interest of each party holding such right.

Our portfolio managers are generally responsible for identifying Consent solicitations and for making decisions as to the exercise of Consents. Morgan Stanley has, and we follow, a variety of policies and procedures intended to assist in identifying and addressing conflicts. Prior to exercising a consent, a determination is made as to whether there is a material conflict of interest. Where a conflict of interest is identified that implicates Morgan Stanley generally, we will generally discuss the potential conflict with Morgan Stanley's Global Conflicts Office and seek their assistance in addressing the conflict. Once a material conflict is identified, we will take such steps as we believe to be necessary in order to determine how to exercise the related Consent in good faith and in accordance with our fiduciary duties, which could include, but is not limited to, consulting internally with investment professionals, risk management professionals, business unit heads, our compliance and/or legal department, as appropriate under the particular circumstances, exercising the consent in accordance with instructions from, or following consent of, the client after providing disclosure regarding the conflict, or taking other actions that we believe appropriate under the circumstance in furtherance of the client's best interest.

Further Information: You can contact your Client Representative or Financial Advisor for information on how to obtain a copy of relevant policies and procedures or information regarding how we exercised Consents on your behalf.

Item 18 Financial Information

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about MSIM Co's financial condition. MSIM Co is not aware of any financial condition that impairs its ability to meet contractual and fiduciary commitments to clients and has not been the subject of a bankruptcy proceeding.

Appendix A

Fee Schedules

Investment Team	Strategy	Attribute	Schedule
Counterpoint Global	Asia Opportunity	Minimum Initial Investment	USD \$100M
		Management Fee	0.750% on the first \$200 M
			0.700% in excess of \$200 M
	Developing Opportunity	Minimum Initial Investment	USD \$100M
		Management Fee	0.750% on the first \$200 M
			0.700% in excess of \$200 M
	Established Opportunity	Minimum Initial Investment	USD \$100M
		Management Fee	0.750% on the first \$200 M
			0.700% in excess of \$200 M
	Global Change	Minimum Initial Investment	USD \$100M
		Management Fee	0.750% on the first \$200 M
			0.700% in excess of \$200 M
	Global Opportunity	Minimum Initial Investment	USD \$200M
		Management Fee	0.750% on the first \$200 M
			0.700% in excess of \$200 M
	International Opportunity	Minimum Initial Investment	USD \$100M
		Management Fee	0.750% on the first \$200 M
			0.700% in excess of \$200 M
	Europe Opportunity	Minimum Initial Investment	USD \$100M
		Management Fee	0.750% on the first \$200 M
			0.700% in excess of \$200 M
	International Advantage	Minimum Initial Investment	USD \$100M
		Management Fee	0.750% on the first \$200 M
			0.700% in excess of \$200 M
Emerging Markets Equity	Asia Ex Japan Equity	Minimum Initial Investment	USD \$50M
		Management Fee	0.750% on the first \$50 M
			0.700% in excess of \$50 M
	Asia Pacific Ex Japan Equity	Minimum Initial Investment	USD \$50M
		Management Fee	0.750% on the first \$50 M
			0.700% in excess of \$50 M
	Sustainable Asia Equity	Minimum Initial Investment	USD \$50M
		Management Fee	0.700% on the first \$50 M
			0.650% in excess of \$50 M
	China A Equity	Minimum Initial Investment	USD \$50M
		Management Fee	0.900% on total assets

Investment Team	Strategy	Attribute	Schedule
Emerging Markets Equity	Emerging Markets Leaders	Minimum Initial Investment	USD \$100M
		Management Fee	0.750% on total assets
	Customized GEM	Minimum Initial Investment	USD \$100M
		Management Fee	0.950% on the first \$100 M
			0.900% on the next \$100 M
			0.850% on the next \$100 M
			0.800% in excess of \$300 M
	Global Emerging Markets Equity	Minimum Initial Investment	USD \$100M
		Management Fee	0.950% on the first \$100 M
			0.900% on the next \$100 M
			0.850% on the next \$100 M
			0.800% in excess of \$300 M
	Emerging Markets Ex China	Minimum Initial Investment	USD \$100M
		Management Fee	0.950% on the first \$100 M
			0.900% on the next \$100 M
			0.850% on the next \$100 M
			0.800% in excess of \$300 M
	India Equity	Minimum Initial Investment	USD \$50M
		Management Fee	0.900% on total assets
International Equity	Global Franchise	Minimum Initial Investment	USD \$50M
		Management Fee	0.800% on the first \$25 M
			0.750% on the next \$25 M
			0.700% on the next \$50 M
			0.650% in excess of \$100 M
			Fee Schedule available for mandates over \$200M
	Global Quality	Minimum Initial Investment	USD \$50M
		Management Fee	0.800% on the first \$25 M
			0.750% on the next \$25 M
			0.700% on the next \$50 M
			0.650% in excess of \$100 M
			Fee Schedule available for mandates over \$200M
	Global Sustain	Minimum Initial Investment	USD \$50M
		Management Fee	0.725% on the first \$50 M
			0.650% on the next \$50 M
			0.600% in excess of \$100 M up to \$200M, flat on all assets
			0.530% in excess of \$200 M up to \$350M, flat on all assets
			0.500% in excess of \$350 M flat on all assets

Investment Team	Strategy	Attribute	Schedule
International Equity	International Equity	Minimum Initial Investment	USD \$100M
		Management Fee	0.800% on the first \$25 M
			0.600% on the next \$25 M
			0.500% on the next \$25 M
			0.400% in excess of \$75 M
Global Listed Real Assets	Asian Real Estate Securities	Minimum Initial Investment	USD \$20M
		Management Fee	0.650% on the first \$100 M
			0.500% on the next \$300 M
			0.400% in excess of \$400 M
	European Real Estate Securities	Minimum Initial Investment	USD \$20M
		Management Fee	0.650% on the first \$100 M
			0.500% on the next \$300 M
			0.400% in excess of \$400 M
	Global Focus Real Estate Securities	Minimum Initial Investment	USD \$20M
		Management Fee	0.750% on the first \$100 M
			0.650% on the next \$300 M
			0.550% in excess of \$400 M
	Global Real Estate Securities	Minimum Initial Investment	USD \$20M
		Management Fee	0.750% on the first \$100 M
			0.500% on the next \$300 M
			0.400% in excess of \$400 M
	U.S. Real Estate Securities	Minimum Initial Investment	USD \$20M
		Management Fee	0.650% on the first \$100 M
			0.500% on the next \$300 M
			0.400% in excess of \$400 M
	Energy Transition and Innovation Opportunities	Minimum Initial Investment	USD \$50M
		Management Fee	0.700% on the first \$50 M
			0.600% on the next \$50 M
			0.500% on the next \$300 M
	Global Infrastructure Securities	Minimum Initial Investment	USD \$50M
		Management Fee	0.700% on the first \$50 M
			0.600% on the next \$50 M
			0.500% on the next \$300 M
			0.400% in excess of \$400 M

Investment Team	Strategy	Attribute	Schedule
Global Multi-Asset	Global Tactical Asset Allocation	Minimum Initial Investment	USD \$100M
		Management Fee	0.750% on the first \$100 M
			0.650% on the next \$150 M
			0.550% on the next \$250 M
			0.450% in excess of \$500 M
Emerging Markets Debt	Emerging Markets Hard Currency	Minimum Initial Investment	USD \$50M
		Management Fee	0.550% on the first \$100 M
		Management Fee	0.500% in excess of \$100 M
High Yield	Global High Yield	Minimum Initial Investment	USD \$50M
		Management Fee	0.500% on the first \$100 M
		Management Fee	0.450% on the next \$100 M
		Management Fee	0.400% in excess of \$200 M
Investment Grade Credit	Emerging Markets Corporate Debt	Minimum Initial Investment	USD \$50M
		Management Fee	0.600% on the first \$50 M
		Management Fee	0.550% on the next \$50 M
		Management Fee	0.500% in excess of \$100 M
Investment Grade Credit	European Credit	Minimum Initial Investment	EUR €50M
		Management Fee	0.350% on the first €50 M
		Management Fee	0.250% on the next €50 M
		Management Fee	0.200% in excess of €100 M
	Global Buy and Maintain Credit	Minimum Initial Investment	USD \$50M
		Management Fee	0.300% on the first \$50 M
		Management Fee	0.300% on the next \$50 M
		Management Fee	0.250% in excess of \$100 M
	Global Credit	Minimum Initial Investment	USD \$50M
		Management Fee	0.300% on the first \$50 M
		Management Fee	0.300% on the next \$50 M
		Management Fee	0.250% in excess of \$100 M
	Global Opportunistic Credit	Minimum Initial Investment	USD \$50M
		Management Fee	0.300% on the first \$50 M
		Management Fee	0.300% on the next \$50 M
		Management Fee	0.250% in excess of \$100 M
Securitized	U.S. Mortgage	Minimum Initial Investment	USD \$50M
		Management Fee	0.150% on the first \$250 M
		Management Fee	0.125% in excess of \$250 M