

# **Form ADV Wrap Fee Program Brochure**

## **Morgan Stanley Smith Barney LLC**

Consulting and Evaluation Services Program  
Investment Management Services Program

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**This Wrap Fee Program Brochure provides information about the qualifications and business practices of Morgan Stanley Smith Barney LLC (“MSWM”). If you have any questions about the contents of this Brochure, please contact us at (914) 225-1000. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.**

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

## Item 2: Material Changes

This section identifies and discusses material changes to the ADV Brochure since the version of this Brochure dated October 17, 2025. For more details on any particular matter, please see the item in this ADV Brochure referred to in the summary below.

### CES Investment Strategies

Updates were made to the CES Program to reflect inclusion of certain investment strategies not covered by GIMA. (*Item 4.A, General Description of Products and Services*).

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## Item 4: Services, Fees and Compensation

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

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

We reasonably expect to provide services as a “fiduciary” (as that term is defined in Section 3(21) (A) of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”) and/or Section 4975 of the Internal Revenue Code of 1986, as amended (the “Code”)), with respect to “Retirement Accounts.” For purposes of this Brochure (including the Exhibit), the term “Retirement Account” will be used to cover (i) “employee benefit plans” (as defined under Section 3(3) of ERISA), which include pension, defined contribution, profit-sharing and welfare plans sponsored by private employers, as well as similar arrangements sponsored by governmental or other public employers which arrangements are generally not subject to ERISA; (ii) individual retirement accounts “IRAs” (as described in Section 4975 of the Code); and (iii) Coverdell Educational Savings Accounts (“CESAs”).

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

### A. General Description of Programs and Services

This section provides a general description of the services covered in this Brochure: the Consulting and Evaluation Services program, the Investment Management Services program and the Private Wealth Management Manager Assessment program.

A Manager (“Manager” or “Investment Manager” participating in these programs may offer one or more investment strategies (“Strategy”) for selection by you. Generally, Strategies that Managers may use in the programs described in this Brochure will include as part of their portfolio, common stock or fixed income securities but may also include American Depository Receipts, mutual funds, exchange traded funds (“ETFs”), master limited partnerships (“MLPs”), foreign securities, options (including uncovered options) and other security types. Please review the ADV Brochure for the Manager you select for additional details on that Manager’s portfolio.

MSWM and its Financial Advisors may also provide other services in connection with these programs. Any such services will be specified in the investment advisory agreement between MSWM and you (see “Account Opening” in this Item 4.A below).

### Consulting and Evaluation Services Program

The Consulting and Evaluation Services (“CES”) program offers you the portfolio management services of affiliated and unaffiliated Managers. MSWM generally selects and approves the Managers and Strategies available for investment through the CES program, based on a variety of factors and then provides ongoing due diligence and monitoring of those investment products through Morgan Stanley’s Global Investment Manager Analysis unit (“GIMA”) as described further in “Selection and Review of Portfolio Managers for the Programs” Item 6 below. Certain Strategies available in the Program may be based upon model portfolios managed by MSWM and strategies managed by MSWM are generally not reviewed by GIMA.

After obtaining certain information from you including your investment objectives, risk tolerance and other financial information, we will recommend certain CES Managers and respective Strategies appropriate for you. The Manager you select has the sole authority to manage your account on a discretionary basis and make investment decisions in light of, among other things, your investment objectives, risk tolerance, financial situation, and any reasonable restrictions you may choose to impose. In certain instances, a CES Manager may delegate some of their duties to a sub-adviser.

### PWM Manager Assessment Program (CLOSED)

Effective December 15, 2023, the PWM Manager Assessment Program was closed; existing clients of the Program will be moved to CES.

### Investment Management Services Program

The Investment Management Services (“IMS”) program was created to accommodate clients who want to maintain a relationship with an investment Manager of their choice that is not covered by GIMA and thus not included in the due diligence process that GIMA employs for investment Managers and funds in other investment advisory programs offered by MSWM.

The decision to participate in IMS and the review and selection of the Manager(s) is your responsibility, regardless of whether or not your relationship with the investment Manager predates your relationship with MSWM and/or your current Financial Advisor. MSWM will not assist in recommending or soliciting any Manager you select to engage in the IMS program.

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

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

### Account Opening

You must enter into the MSWM Single Advisory Contract (the “Single Advisory Contract”) to open accounts in programs described in this Brochure. The Single Advisory Contract governs the terms of your existing and future investment advisory accounts and relationships with MSWM. You may also be required to execute a client agreement as well as other account opening documentation, as applicable.

In addition, you will also execute separate agreements with your selected Managers. You will pay separate fees to MSWM and the Managers. You delegate investment discretion directly to the Managers, while MSWM provides consulting, custody, brokerage performance reporting and administrative services. Certain clients may also elect, subject to our approval, not to receive all the services available from MSWM. You may open multiple accounts, each managed by one Manager according to a specific investment style.

## **Ineligible Securities and Investment Restrictions**

Morgan Stanley reserves the right to determine which assets are eligible for investment in the Program and, accordingly, may at any time and without notice to you, decline to include any security for any reason in your accounts (“Ineligible Security”). Additionally, Morgan Stanley may restrict a security and deem such security ineligible if it becomes subject to any type of sanctions or trading restrictions imposed by a specific country or regulatory authority (“Sanctioned Security”). If you are holding a Sanctioned Security, you may face additional limitations, including the inability to trade on it or transfer it. Morgan Stanley retains discretion over enforcement and compliance with applicable sanctions-related regulations and laws. If we determine that a security in your account is an Ineligible Security or Sanctioned Security: (a) Morgan Stanley will not provide advice on, make recommendations with respect to, or manage, as applicable, and therefore does not act as a fiduciary with respect to such security; (b) such security will not be included in the billable market value of your account and, as a result, your Fee may change; (c) such security will not be included in the performance calculation of your account, and (d) you may not receive trade confirmations for transactions you make with regard to such security. If we determine that a security that was previously determined to be an Ineligible Security or Sanctioned Security is now eligible, (a) we will provide investment advice on it, make recommendations with respect to, or manage, as applicable, and therefore act as a fiduciary with respect to such security (b) such security will be included in the billable market value of your account and as a result, your fee may change, (c) such security will be included in the performance calculation of your account, and (d) you may receive trade confirmations for transactions you make with regard to such security.

We may automatically apply restrictions on equity securities of companies with which we believe you are an affiliate under the federal securities laws. If you hold these securities in your account, they will be characterized as ineligible securities and subject to the terms described above. In addition, the restriction will prevent additional shares of these equity securities from being purchased in your account. Such equity securities may be liquidated, at your direction, after they have been appropriately cleared. Such restrictions may cause your account’s composition and performance to deviate from the model or investment strategy in which your account is invested. Any applicable restrictions will be removed, without notice to you, when the affiliation has been

removed from our records, which may result in the securities being included in the billable market value or performance calculation of your account.

You may also request reasonable restrictions on the management of your account, such as that certain specified securities or certain categories of securities not be purchased for your account. Please contact the manager to determine what types of investment restrictions you may request for your account.

We will not have any obligation to manage your account in accordance with any investment guidelines, policy statements or other documents unless we specifically agree to do so, in writing.

## **Trading and Execution Services**

You authorize the Manager to effect securities transactions for the account through MSWM or another broker-dealer, subject to legal requirements of “best execution,” your needs, and, if applicable, the requirements of ERISA and the rules and regulations thereunder. Upon instruction from the Manager, MSWM will execute transactions for the purchase or sale of securities and other investments in a client’s account for the programs described in this Brochure.

***Step Out Trades*** We refer to trades on which we are not the executing broker as “step out trades.” Your Manager has the authority to effect transactions through broker-dealers other than MSWM when the Manager reasonably believes that such other broker-dealer may execute such transactions at a price, including any mark-ups, mark-downs and/or other fees and charges, that are more favorable to the account than would be the case if transacted through MSWM. Moreover, even if the price is not more favorable, the Manager may consider all relevant factors, including execution capabilities, speed, efficiency, confidentiality, familiarity with potential purchasers or sellers, or any other relevant matters. There are certain Managers (including, but not limited to, Managers offering municipal, corporate, and convertible fixed income strategies) that have historically directed most, if not all, their trades to outside broker-dealers. Before selecting a Manager for any program described in this Brochure, you should carefully review all material related to that Manager, including any disclosure on whether the Manager uses broker-dealers other than MSWM to effect any trades and any additional trading costs (brokerage commissions or other charges) associated with executing trades at such other broker-dealers.

Fees paid to MSWM only cover transactions effected through us. Therefore, if your Manager trades with another firm, you may be assessed other trading related costs (mark-ups, mark-downs and/or other fees and charges) by the other broker-dealer. Those costs are in addition to your program fees and will be included in the net price of the security. Such costs will not be reflected as a separate charge on your trade confirmations or account statements. Step-out information is provided by the respective Managers at this link: [www.morganstanley.com/wealth/investmentsolutions/pdfs/adv/storesponse.pdf](http://www.morganstanley.com/wealth/investmentsolutions/pdfs/adv/storesponse.pdf). For information about costs incurred, please see “Additional Fees” in Item 4.C below for details, or contact your FA.

Notwithstanding the above, for the programs described in this Brochure we may instruct a Manager not to initiate trades through certain MSWM affiliated broker-dealers.

## **Trade Confirmations, Account Statements and Performance Reviews**

Where MSWM is the custodian for your account, we will provide you with written confirmation of securities transactions, and account statements at least quarterly. You can waive the receipt of trade confirmations after the completion of each trade in favor of alternative methods of communication where available. Even if you have done so, we may deliver trade confirmations after the completion of each trade. You may also receive mutual fund prospectuses, where appropriate.

We will provide periodic reviews of your account. These reviews show how your account investments have performed, either on an absolute basis or on a relative basis compared to recognized indices (such as Standard & Poor's indices). You can access these reports through MSWM's online account services site ("Morgan Stanley Online"). To access these reports in Morgan Stanley Online, please go to:

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

## **Risks**

All trading in your account is at your risk. The value of the assets held in an account is subject to a variety of factors, such as the liquidity and volatility of the securities markets and certain other risks which may include, but not necessarily be limited to, those described below. Investment performance of any kind is not guaranteed, and MSWM's, a Financial Advisor's or a Manager's past performance does not predict future performance. In addition, certain investment strategies that Managers may use in the Programs described in this Brochure have specific risks, certain of which are discussed below. You should consult with your Financial Advisor regarding the specific risks associated with the investments in your account. Please review any investment Manager's ADV Brochure for a description of the material risks associated with any Strategy you may have selected.

**Risks Relating to ETFs.** There may be a lack of liquidity in certain ETFs which can lead to a large difference between the bid-ask prices (increasing the cost to you when you buy or sell the ETF). A lack of liquidity can cause an ETF to trade at a large premium or discount to its net asset value. Additionally, an ETF may suspend issuing new shares and this 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 may diverge from the benchmark it is designed to track.

**Risks Relating to Exchange Traded Notes.** Risks of investing in exchange traded notes ("ETNs") include, among others, index or benchmark complexity, price volatility, market risk associated with the index or benchmark, uncertain principal repayment based on the issuing financial institution and potential illiquidity. Please ask your Financial Advisor for the ETN prospectus for a description of the specific index or benchmark to which its

performance is linked as well as a description of the risks of investing in the ETN and any of the non-traditional or complex investment strategies that the ETN follows or seeks to replicate.

**Risks Relating to Money Market Funds.** An investment in a money market fund is neither insured nor guaranteed by the Federal Deposit Insurance Corporation ("FDIC") or any other government agency.

You could lose money in money market funds. Although many money market funds classified as government funds (i.e., money market funds that invest 99.5% of total assets in cash and/or securities backed by the U.S government) and retail funds (i.e., money market funds open to natural person investors only) seek to maintain a stable \$1.00 per share, they cannot guarantee they will do so. The price of other money market funds will fluctuate and when you sell shares, they could be worth more or less than originally paid. Money market funds may, and in certain circumstances will, impose a fee upon the redemption of fund shares. Please review your money market fund's prospectus to learn more about the use of redemption or liquidity fees. In addition, if a money market fund that seeks to maintain a stable \$1.00 per share experiences negative yields, it also has the option of converting its stable share price to a floating share price, or to cancel a portion of its shares (which is sometimes referred to as a "reverse distribution mechanism" or "RDM"). Investors in money market funds that cancel shares will lose money and may experience tax consequences. Moreover, in some circumstances, money market funds may cease operations when the value of a fund drops below \$1.00 per share. In that event, the fund's holdings will likely be liquidated and distributed to the fund's shareholders. This liquidation process can be prolonged and last for months. During this time, these funds would not be available to you to support purchases, withdrawals and, if applicable, check writing or ATM debits from your account.

**Risks Relating to Master Limited Partnerships.** Master Limited Partnerships ("MLPs") are limited partnerships or limited liability companies whose interests (limited partnership or limited liability company units) are generally traded on securities exchanges like shares of common stock. Investments in MLPs entail different risks, including tax risks, than is the case for other types of investments.

Currently, most MLPs operate in the energy, natural resources, or real estate sectors. Investments in such MLP interests are subject to the risks generally applicable to companies in these sectors (including commodity pricing risk, supply and demand risk, depletion risk and exploration risk). Depending on the ownership vehicle, MLP interests are subject to varying tax treatment. Please see "Tax and Legal Considerations" below and any applicable mutual fund or ETF prospectus, for more information. You may obtain a mutual fund or ETF prospectus by asking your Financial Advisor.

**Risks Relating to Investment in a Concentrated Number of Securities or to Investment in Only One Industry Sector (or in Only a Few Sectors).** When strategies invest in a concentrated number of securities, a decline in the value of these securities would cause your overall account value to decline to a greater degree than that of a less concentrated portfolio. Strategies that invest a large percentage of assets in only one industry sector (or in only a few sectors) are more vulnerable to price fluctuation than

strategies that diversify among a broad range of sectors. Industry concentration is a particular risk for MLP strategies, as many MLPs are issued by companies engaged in the energy and natural resources business.

**Risks Relating to Mutual Funds and ETFs that Primarily Invest in Master Limited Partnerships.** In addition to the risks outlined above relating to Master Limited Partnerships, mutual funds and ETFs that primarily invest in MLPs generally accrue deferred tax liability (“MLP Fund”). An investment in a MLP Fund does not offer the same beneficial partnership tax treatment as a direct investment in an MLP. The fund’s deferred tax liability (if any) is reflected each day in the fund’s net asset value (“NAV”). The deferred tax liability estimate could vary dramatically from the MLP Fund’s actual tax liability or benefit. Upon the sale of an MLP security, the MLP Fund may be liable for previously deferred taxes. As a result, the determination of the MLP Fund’s actual tax liability could result in increases or decreases in the MLP Fund’s NAV per share, which could be material. Additionally, the fund’s total annual operating expenses may be significantly higher than those of funds that do not primarily invest in Master Limited Partnerships. Please ask your Financial Advisor for the fund prospectus for additional information.

**MLP Fund Dividends and Distributions.** A portion of distributions from MLP Funds to investors typically will consist of return of capital and not of current income for U.S. federal income tax purposes. The portion of any distribution treated as return of capital will not be subject to tax currently but will result in a corresponding reduction in the investor’s tax basis in the MLP Fund’s shares. Such a reduction in tax basis will result in larger taxable gains and/or lower tax losses on a subsequent sale of the MLP Fund Shares.

#### **MLP Fund Non-Diversification and Industry Concentration.**

MLP Funds are typically non-diversified. Therefore, MLP Funds can be more susceptible to losses due to adverse developments affecting any single issuer held in their portfolios. In addition, many MLP Funds’ investments are concentrated in the energy infrastructure industry with an emphasis on securities issued by publicly traded MLPs, which may increase volatility.

**MLP Fund Liquidity.** Certain MLP securities may trade less frequently than those of larger companies due to their smaller capitalizations. Additionally, it can be more difficult for MLP Funds to buy and sell significant amounts of such securities without an unfavorable impact on prevailing market prices. A MLP Fund’s investment in securities that are less actively traded over time experience decreased trading volume may restrict its ability to take advantage of other market opportunities or to dispose of securities at favorable prices. Contact your Financial Advisor for the fund prospectus for additional information.

#### **Risks Relating to Mutual Funds and ETFs that Pursue Complex or Alternative Investment Strategies or Returns.**

These mutual funds and ETFs can employ non-traditional or complex investment strategies and/or derivatives (all of which are described in greater detail below) for both hedging and more speculative purposes such as short selling, leverage, derivatives, and options, which can increase volatility and the risk of investment loss. Certain of these funds are sometimes referred

to as “liquid alternatives.” These funds often have higher costs and expenses, with certain of these funds charging fees that fluctuate with their performance. Please refer to the applicable mutual fund or ETF’s prospectus for additional information on expenses and descriptions of the specific non-traditional and complex strategies utilized by such fund. Alternative investment strategies are not appropriate for all investors.

While mutual funds and ETFs may at times utilize nontraditional investment options and strategies, they have different investment characteristics than unregistered privately offered alternative investments. Because of regulatory limitations, mutual funds and ETFs that seek alternative-like investment exposure must utilize a more limited spectrum of investments. As a result, investment returns and portfolio characteristics of alternative mutual funds and ETFs may materially vary from those of privately offered alternative investments pursuing similar investment objectives. They are also more likely to have relatively higher correlation with traditional market returns than privately offered alternative investments.

Non-traditional investment options and strategies are often employed by a portfolio Manager to further a mutual fund’s or ETFs investment objective and to help offset market risks. However, these features are complex, making it more difficult to understand the mutual fund’s or ETF’s essential characteristics and risks, and how it will perform in different market environments and over various periods of time. They can also expose the mutual fund or ETF to increased volatility and unanticipated risks particularly when used in complex combinations and/or accompanied by the use of borrowing or “leverage”. Examples of non-traditional and complex investment options and strategies include the following. The below list is not exhaustive.

**Derivatives.** A risk of a Strategy’s use of derivatives is that the fluctuations in their values may not correlate perfectly with the overall securities markets. Derivatives are also subject to counterparty risk, which is the risk that the other party in the transaction will not fulfill its contractual obligation. In addition, some derivatives are more sensitive to interest rate changes and market price fluctuations than other securities. The possible lack of a liquid secondary market for derivatives and the resulting inability of a fund to sell or otherwise close a derivatives position could expose the fund to losses and could make derivatives more difficult for the fund to value accurately.

When a Manager invests in a derivative for speculative purposes, the Strategy will be fully exposed to the risks of loss of that derivative, which could sometimes be greater than the derivative’s cost. A Strategy could also suffer losses related to its derivative’s positions as a result of unanticipated market movements, which losses are potentially unlimited. Commonly used derivative instruments and techniques and the risks associated therewith, include:

**Futures Contracts.** The prices of futures are affected by many factors, including changes in overall market movements, speculation, real or perceived inflationary trends, index volatility, changes in interest rates or currency exchange rates and political events. This can result in lower total returns, and the potential loss can exceed the initial investment.

**Options.** Like futures, prices of options can be highly volatile, and they are impacted by many of the same factors. Using options can lower total returns. The potential loss of investing or trading in options, in general, is substantial, and the potential loss of investing or trading in uncovered call options is unlimited.

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

Investing or trading in uncovered options is therefore appropriate only for the knowledgeable investor who understands the risks, has the financial capacity and willingness to incur potentially substantial losses, and has sufficient liquid assets to meet applicable margin requirements. In this regard, if the value of the underlying instrument moves against an uncovered option writer's options position, the investor's broker may request significant additional margin payments. If an investor does not make such margin payments, the broker may liquidate stock, options, or other positions in the investor's accounts, with little or no prior notice in accordance with the investor's margin agreement. For combination writing, where the investor sells both a put and a call on the same underlying instrument, the potential risk is unlimited.

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

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

**Swaps.** Most swap contracts are purchased over-the-counter ("OTC"). OTC swaps are generally subject to credit risk and/or the risk of default or non-performance by the counterparty. Swaps can result in losses if interest rate or foreign currency exchange rates or credit quality changes are not correctly anticipated by a counterparty or if the reference index, security, or investments do not perform as expected.

Total Return Swaps ("TRS") involve the risk that the party with whom the fund has entered into the swap will default on its obligation to pay the fund and the risk that the fund will not be able to meet its obligations to pay the other party to the agreement. The income tax treatment of such swap agreements is unsettled and can be subject to future legislation, regulation or administrative pronouncements issued by the IRS.

**Structured Investments.** A Strategy that invests in structured investments bears the risks of the underlying investment as well

as market risk and are subject to issuer or counterparty risk because the Strategy is relying on the creditworthiness of such issuer or counterparty and has no rights with respect to the issuer of the underlying investment. (See *Risks Relating to Structured Investments*)

**Short Selling.** Short selling is a form of investment leverage and the amount of the potential loss is theoretically unlimited. Short selling is subject to other risks including the risk that the third party to the short sale may fail to honor its contract terms, causing a loss to the Strategy. To the extent an investment strategy involves stocks that are difficult to borrow, this may result in higher short selling fees. Short positions may also be subject to unique tax treatment.

**Margin.** When you invest using margin, you borrow money to invest in the applicable securities. There are fees associated with margin loans, which include, but are not limited to, interest on the financed assets. Use of margin generally permits greater account leverage, and greater leverage may create greater losses in the event of adverse market movements. Margin loans are on demand loans and maintenance requirements may be increased at any time and, potentially, without notice. In the event of a margin call, you may have to deposit additional collateral on short notice to cover market losses. If you are not able to provide additional collateral, it could lead to the closure of positions in your account to satisfy the margin loan obligation. The risk of margin call may be higher when the investment strategy is used to diversify concentrated stock positions due to the risk of stock price decline, especially in deteriorating market environments.

**Liquidity and Counterparty Risk.** Certain investments may be difficult to purchase or sell due to thinly traded markets or other factors such as a relatively large position size. In addition, transactions occurring outside of exchange clearing houses increase the risk that the direct counterparties will not perform their obligations under the transaction and losses will be sustained. Illiquid securities can reduce the returns of the fund because it may be unable to sell the illiquid securities or unwind derivative positions at favorable prices. Returns can also be adversely impacted where the Strategy has an obligation to purchase illiquid securities. Moreover, less liquid securities are more susceptible than other securities to market value declines. Managers will have greater liquidity risks to the extent their principal investment strategies involve foreign (non-U.S.) securities, derivatives, or securities with substantial market and/or credit risk.

**Risks Relating to Over-The-Counter and Low-Priced Securities.** Certain over-the-counter ("OTC") and low-priced securities ("LPS") (also referred to as penny stocks, expert market securities, or "pink sheet" stocks), have certain special characteristics and risks. For example, there may be lower liquidity in certain OTC and LPS securities, which can increase volatility and lead to price swings. Moreover, reliable information regarding issuers of certain OTC and LPS securities may not be available, making it less likely that quoted prices are based on full and complete information about the issuer. This lack of reliable information may also make certain OTC and LPS securities more susceptible to fraud and manipulation. In

the event an issuer of an OTC or LPS security fails to report required information, such securities could become restricted to “expert” markets, which may prevent selling the security. If this happens, the value of security may be significantly negatively affected or eliminated entirely.

Because OTC and LPS securities may be traded on different market systems and with different rules, they may be more susceptible to regulatory trading halts and other trading restrictions, whether imposed by MSWM, our affiliates, and/or applicable regulatory authorities; and such restrictions may be imposed without notice.

**Risks Relating to Differing Classes of Securities.** Different classes of securities offer different rights to a securities holder 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.

**Risks Relating to Mutual Funds that Invest in Floating Rate Loans.** Certain mutual funds invest in floating rate loans. Floating rate funds fluctuate in value and are subject to market risk. More information on the investment risks can be found below and in the fund’s prospectus.

**Credit/Default Risk.** Floating loan rate values can fall if a company’s credit rating declines or it defaults on its loan repayment obligations. Since most floating rate loans are made to corporations with below-investment grade credit ratings, they are subject to a greater risk of default on interest and principal payments than higher-quality investments.

**Interest Rate Risk.** For floating rate loans, interest rates and income are variable, and their prices are less sensitive to interest rate changes than fixed income bonds. However, in falling interest rate environments floating rate loans can underperform bonds since floating rate loans adjust to pay less income making them less desirable to investors than bonds that pay a fixed rate.

**Liquidity Risk.** Floating rate loans are generally subject to restrictions on resale and may trade infrequently in the secondary market. Illiquid loans may reduce the returns of the fund because it may be unable to sell the loans at favorable prices. Moreover, less liquid holdings are more susceptible than other securities to market value declines.

**Fluctuation of NAV.** Because the prices of floating-rate loans can change, the share price of mutual funds that invest in the loans will fluctuate with market conditions.

**Risks Relating to Variable Rate Demand Notes (VRDNs).** VRDNs are subject to a variety of risks, including but not limited to: (1) Renewal Risk: The risk of the inability to obtain 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. However, repayment of principal and payment of interest ultimately is dependent upon the issuer. For other risks relating to the particular Strategy you hold in your account, please see your investment Manager’s ADV Brochure.

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

**Risks Relating to Digital Assets.** Certain Exchange Traded Products (“ETPs”) available in the Program may hold underlying positions in cryptocurrencies such as Bitcoin, Ethereum, or other digital assets (“Digital Assets”). The risks related to an investment in Digital Assets are significant. Digital Assets are highly speculative and have been in existence for only a short period of time, and historical prices have been extremely volatile. An investor could lose their entire investment.

In addition to extreme volatility and the speculative nature of Digital Assets, an investor should be aware of additional risks and considerations, which include but are not limited to the following:

Due to the new and evolving nature of digital currencies, the regulatory landscape is uncertain, and the value of Digital Assets may be negatively impacted by future legal and regulatory developments.

Many significant aspects of the tax treatment of Digital Assets are uncertain. Moreover, ETPs containing Digital Assets are not intended to generate unrelated business taxable income” (“UBTI”); however, as tax treatment of Digital Assets evolves, this may change.

Any performance data relating to Digital Asset products may not be verifiable as pricing models are not uniform.

Certain Digital Asset exchanges have experienced failures or interruptions in service due to fraud, security breaches, operational problems or business failure, and similar events could impact the value of your investment, regardless of whether the fund or product relies on such an impacted exchange. Further, certain Digital Asset exchanges are not regulated to the same extent as other securities exchanges, which increases the chance that transactions conducted on such exchanges are subject to market manipulation. Both factors can impact your investment product's ability to transact in a Digital Asset and/or materially decrease its price, thereby decreasing the value of your investment, regardless of whether your product relies on an impacted exchange.

Digital Assets could be permanently lost, stolen, destroyed or become inaccessible by virtue of, among other things, the loss or theft of the private keys necessary to access a product's Digital Asset.

Digital Assets are not legal tender, and are not backed by any government, corporation or other identified body, other than with respect to certain cryptocurrencies that certain governments are or may be developing now or in the future. Digital Assets held in digital wallets are not FDIC insured. Certain of the spot cryptocurrency ETPs are not registered investment companies under the Investment Company Act of 1940 and therefore are not subject to the same regulatory requirements as mutual funds or traditional exchange traded funds. Shareholders do not have the same regulatory protections associated with registered investment companies. Please see the prospectus of each product/fund before making an investment decision.

Investment products with exposure to Digital Assets have traded at prices that are materially lower (or higher) than the net asset value of the product's underlying shares, which means that the market price of a product's shares may be lower (or higher) than the value of the corresponding amount of Digital Assets that the share purports to represent. This risk is separate and distinct from the risk that the value of the relevant Digital Assets may decrease.

Due to the anonymity Digital Assets offer, they have known use in illegal activity, including drug dealing, money laundering, human trafficking, sanction evasion and other forms of illegal commerce. Abuses could impact legitimate consumers and speculators; for instance, law enforcement agencies could shut down or restrict the use of platforms and exchanges, limiting or shutting off entirely the ability to use or trade Digital Asset products.

An ETP, which has direct exposure to a Digital Asset, is different from a mutual fund or ETF that primarily invests in Digital Asset futures. Funds that invest in Digital Asset futures do not directly invest in cryptocurrency but instead seek to purchase futures contracts that speculate as to the future price of certain Digital Asset.

ETPs that track Digital Asset futures contracts may be subject to contango, which occurs when a given Digital Asset's spot price is lower than the price of the Digital Asset's futures price. Rolling contracts when futures prices are in contango involves selling lower priced futures and buying higher priced futures further from expiration; super contango occurs when the spot price of a given Digital Assets is trading dramatically below its futures price. The

probability of the Digital Asset's futures curve experiencing super contango may be elevated due their highly volatile nature.

**Risks Relating to Structured Investments.** Structured investments typically combine a debt security or certificate of deposit (CD) with exposure to other underlying asset classes (such as equities, commodities, currencies, or interest rates) to create a way for investors to express a market view (bullish, bearish, or market neutral), complement an investment objective (for example, capital appreciation, income, aggressive income, or speculation), hedge an existing position or gain exposure to a variety of underlying asset classes. A structured note is typically a debt security issued by a financial institution; its return is linked to the performance of an underlying asset or assets, such as equity indexes, a single equity, a basket of equities, interest rates, commodities or foreign currencies. Structured notes comprise both a debt component and a performance-based derivative component linked to the underlying asset class(es).

Investing in structured investments is typically more expensive than other investment options offered in your account. In addition to the applicable fees described under "Fees" below, the original issue price of the structured investment includes costs associated with issuing, structuring, and hedging the securities, which are borne by you. In addition, with respect to the debt component of the structured investment, the rate the issuer of a structured investment is willing to pay is likely to be lower than the rate implied by its secondary market credit spreads. The inclusion of such costs in the original issue price and the lower rate the issuer is willing to pay make the economic terms of structured investments less favorable to you than they otherwise would be and result in an estimated value on the pricing date that is less than the original issue price.

Certain investment strategies offered by Managers may contain structured investments that are affiliated with MSWM. MSWM and our affiliates will receive more aggregate compensation when your account is invested in an affiliated Investment Product. Thus, MSWM and your Financial Advisor have a conflict of interest when recommending affiliated Investment Products. *Please see Item 6B, Other Conflicts, Affiliated Investment Products.*

Structured investments are complex and involve risks not associated with an investment in ordinary debt securities. Structured investments have a wide variety of structures and may be linked to a wide variety of underliers, each of which will have its own unique set of risks and considerations. For example, some underliers are highly volatile and have a significantly higher probability of steep losses or may be more complex than others. All payouts will depend on the structure and will also be contingent on the performance of the underlier. The terms may limit the maximum payment at maturity or the extent to which the return reflects the performance of the underlier. Depending on the terms, a structured investment may result in a loss of some or all of your principal. Even if you receive the principal amount at maturity, the return on your investment may be less than the amount that would be paid on an ordinary debt security. Unlike ordinary debt securities, structured investments usually do not pay interest. For structured investments that do pay interest, any payment of interest is typically dependent on the performance of the underlier and, as a result, you may receive no interest for the entire term of the investment.

Investing in a structured investment is not equivalent to investing in the underlier or its components. All payments on structured investments are dependent on the issuer's (and the guarantor's, if applicable) ability to pay all amounts due.

There may be little or no secondary market for a particular structured investment. Generally, the prices, if any, at which dealers may be willing to purchase structured investments in secondary market transactions will likely be significantly lower than the original issue price, because secondary market prices will exclude the issuing, selling, structuring and hedging-related costs that are included in the original issue price and borne by you and because such prices will reflect the issuer's secondary market credit spreads and the bid-offer spread that any dealer would charge, as well as other factors. The secondary market price may be influenced by a variety of unpredictable factors, including but not limited to: (i) changes in the value of the underlier, (ii) volatility of the underlier, (iii) the dividend rate on the underlier, if any, (iv) changes in interest rates, (v) any actual or anticipated changes in the issuer's (and the guarantor's, if applicable) credit ratings or credit spreads and (vi) the time remaining to maturity. Generally, the longer the time remaining to maturity, the more the market price will be affected by these factors.

The issuer of a structured investment and its affiliates may play a variety of roles in connection with the structured investment, including acting as calculation agent, hedging the issuer's obligations under the structured investment, and publishing research reports with respect to movements in the underlier. Certain determinations made by such affiliates may require them to exercise discretion and make subjective judgments and may cause the economic interests of the issuer to diverge from your economic interests. In acting in any of these capacities, the issuer and its affiliates are not obliged to take your interests into account.

You should consult with your investment, legal, tax, accounting, and other advisers in connection with any investment. For more information on the common risks and conflicts of interest related to Structured Investments, log in to Morgan Stanley Online and go to

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

## Tax and Legal Considerations

**Tax Harvesting.** Certain Managers may be able to accommodate tax harvesting at a client's election.

There is no guarantee that harvesting requests received late in a calendar year will be completed before year-end or that harvesting will achieve any particular tax result. Tax harvesting may adversely impact investment performance. Neither MSWM, your Manager nor any MSWM affiliate provide any tax advice nor make any guarantee that tax harvesting will be successful. You will consult with your own tax advisor regarding tax harvesting or any other tax issues.

Such tax harvesting may entail decisions which deviate from a Manager's overall investment Strategy. As a result: (i) the account may not receive the benefits, including gains and avoided losses, of certain recommended purchases and sales of securities; and (ii)

the account's composition and performance may vary significantly from that of client accounts for which similar tax harvesting services have not been selected.

**Other Tax and Legal Considerations.** In the programs described in this Brochure, replacing a Manager may result in sales of securities and subject you to additional income tax obligations. Consult your independent tax or legal advisor with respect to the services described in this Brochure, as MSWM and its affiliates do not provide tax or legal advice.

Some Managers may include Master Limited Partnerships (MLPs) in their portfolios. Investment in MLPs entails different risks, including tax risks, than is the case for other types of investments. Investors in MLPs hold "units" of the MLP (as opposed to a share of corporate stock) and are technically partners in the MLP. Holders of MLP units are also exposed to the risk that they will be required to repay amounts to the MLP that are wrongfully distributed to them. Almost all MLPs have chosen to qualify for partnership tax treatment. Partnerships do not pay U.S. federal income tax at the partnership level. Rather, each partner of a partnership, in computing its U.S. federal income tax liability, must include its allocable share of the partnership's income, gains, losses, deductions, expenses and credits. A change in current tax law, or a change in the business of a given MLP, could result in an MLP being treated as a corporation for U.S. federal income tax purposes, which would result in such MLP being required to pay U.S. federal income tax on its taxable income. The classification of an MLP as a corporation for U.S. federal income tax purposes would have the effect of reducing the amount of cash available for distribution by the MLP and could cause any such distributions received by the investor to be taxed as dividend income. If you have any questions about the tax aspects of investing in an MLP, please discuss with your tax advisor.

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

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

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

Earnings generated inside most qualified retirement plans, including defined benefit pension plans, defined contribution plans and individual retirement accounts, are generally exempt

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

If more than \$1,000 of unrelated trade or business gross income is generated in a tax year, the Retirement Account’s custodian, or fiduciary (on behalf of the Retirement Account) must file an Exempt Organization Business Income Tax Return, Form 990-T. With respect to an individual investing through an IRA, in calculating the threshold amount and the Retirement Account’s UBTI for the year, each IRA is generally treated as a separate taxpayer, even if the same individual is the holder of multiple IRAs.

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

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

Similar rules apply to other tax-exempt organizations (e.g., charitable and religious organizations), except that certain

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

## **Principal Trading and Related Fees**

We will not effect transactions between your accounts and our own accounts (which is referred to as “principal trading”) without your informed consent, except as permitted by applicable law, rule, or regulation.

## **Proxies and Related Materials**

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

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

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

## **Custody**

**Where MSWM acts as custodian.** Unless you instruct us otherwise, MSWM will maintain custody of all cash, securities and other assets in the account and the section titled “Cash Sweep” in Item 4.C below will apply to you. MSWM will liquidate any fractional share positions of equity securities, closed-end funds or ETFs created in your account. The provisions of the Single Advisory Contract regarding MSWM converting shares of open-end mutual funds in a client’s account to an advisory share class will apply to your account.

**Where MSWM does not act as custodian.** You have the option to retain a custodian other than MSWM. Your designated outside custodian (“External Custodian”) will maintain custody of the cash, securities, and other investments in your account and

will receive and credit to your account all interest, dividends, and other distributions received on the assets in the account. Since your assets are not held in custody at MSWM, they will not be included under MSWM's Securities Investor Protection Corporation ("SIPC") coverage. The rights and authority of MSWM with respect to such assets, including as to transfers of assets held with the External Custodian, will be limited to those set forth in the Account Agreement, regardless of any separate agreements or arrangements you may have or enter into with your External Custodian. MSWM disclaims any broader rights that may be contained in your separate agreement with your External Custodian.

**Fees.** You agree to authorize and instruct your External Custodian in writing to deduct the MSWM Fee, as defined below, from your account, either monthly or quarterly, upon receipt of an invoice from us (if applicable). See the section titled "Fees" below for details. Your External Custodian will advise you of your cash sweep options and the section titled "Cash Sweeps" in Item 4.C below will not apply to you.

In general, in computing the MSWM Fee (as defined in Item 4.A Fees), we shall rely on information received from your External Custodian with respect to the value of assets in the account. If any information to be provided by the External Custodian is unavailable or believed to be unreliable, we will value assets in a manner we determine in good faith to reflect fair market value.

External Custodians may assess fees for custody, trade execution, and brokerage services, including where the Custodian is a Morgan Stanley affiliate.

**Liquidations and share class conversions.** MSWM will not liquidate any fractional share positions of equity securities, closed-end funds or ETFs created in your account.

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

For trades executed through MSWM, we will provide you with copies of individual confirmations of transactions. We may also provide additional periodic reports.

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

MSWM does not assume any responsibility for the accuracy of any reports or other information furnished or made available by you, the External Custodian or any other person or entity (including access to online systems). The External Custodian will be liable to you pursuant to the terms of the custodian agreement and any other agreement that relates to the External Custodian's services to you.

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

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

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

## **Fees**

You shall pay an asset-based fee to MSWM ("MSWM Fee"), which covers MSWM's investment advisory services, custody of securities, trade execution with or through MSWM, reporting as well as compensation to any Financial Advisor. This is a wrap fee. The maximum annual asset-based MSWM Fee is 2.0%. However, the Manager fees are separate from and in addition to the MSWM Fee. Each Manager charges you a separate fee for its services. We do not pay the Manager any part of the fee or other compensation you pay to us. Where a CES Manager uses a Strategy that employs uncovered options, there will be a different fee arrangement between the client and MSWM. Alternatively, in some cases, CES clients may negotiate an annual fixed dollar amount, paid quarterly. Please contact your Financial Advisor for details.

*See Item 4.C, Additional Fees - Funds in Advisory Programs – Affiliated Funds for more information regarding fee adjustments for Retirement Accounts holding affiliated funds.*

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

You may make additions into the account at any time, subject to our right to terminate the account. Additions may be in cash, mutual funds, ETFs, stocks, or bonds, provided that we reserve the right to decline to accept particular securities into the account or impose a waiting period before certain securities may be deposited. We may accept other types of securities for deposit at

our discretion. You understand that if mutual funds or ETFs are transferred or journalized into the account, you will not recover the front-end sales charges previously paid and/or may be subject to a contingent deferred sales charge or a redemption or other fee based on the length of time that you have held those securities.

We may require you to provide up to six (6) business days prior oral or written notice to your Financial Advisor of withdrawal of assets from the account, subject to the usual and customary securities settlement procedures.

No MSWM Fee adjustment will be made during any billing period for withdrawals or deposits, nor will an adjustment be made during any billing period for appreciation or depreciation in the value of Account assets during that period.

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

In valuing assets, we use information provided by recognized independent quotation and valuation services. We believe this information to be reliable but do not verify the accuracy of the information provided by these services. If any information provided by these services is unavailable or is believed to be unreliable, we will value assets in a manner we determine in good faith to reflect fair market value. In addition, for certain securities, including collateralized loan obligations, we may rely upon our affiliate, MS&Co. to provide a valuation.

**Fees are Negotiable.** The MSWM Fee is negotiable based on factors such as the type and size of the account and the range of services we provide. The MSWM Fee for your account may be (i) higher or lower than the fees that we would charge the account if you had purchased the services covered by the MSWM Fee separately; (ii) higher or lower than the fees that we charge other clients, depending on, among other things, the extent of services provided to those clients and the cost of such services; and (iii) higher or lower than the cost of similar services offered through other financial firms.

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

You may terminate participation in the programs described in this Brochure at any time by giving oral or written notice to MSWM. If participation in any of the programs described in this Brochure is terminated, any advisory fees paid in advance will be refunded

on a pro-rata basis. MSWM will retain the portion thereof constituting the MSWM Fee and pay the remaining portion to the Managers, to cover their respective fees.

**Breakpoints.** Fee rates may be expressed as a fixed rate applying to all assets in the account, or as a schedule of rates applying to different asset levels, or "breakpoints." When the fee is expressed as a schedule of rates corresponding to different breakpoints, discounts, if any, are negotiated separately for each breakpoint. As the value of account assets reaches the various breakpoints, the incremental assets above each threshold are charged the applicable rates. The effective fee rate for the account as a whole is then a weighted average of the scheduled rates and may change when the asset levels in the account change.

**Accounts Related for Billing Purposes.** When two or more investment advisory accounts are related together for billing purposes ("Billing Relationship"), you can benefit from existing breakpoints. For example, if you have two accounts in the Billing Relationship, the fees on Account #1 are calculated by applying your total assets (i.e., assets in Account #1 + assets in Account #2) to the Account #1 breakpoints. Because this amount is greater than the amount of assets solely in Account #1, you may have a greater proportion of assets subject to lower fee rates, which in turn lowers the average fee rate for Account #1. This average fee rate is then multiplied by the actual amount of assets in Account #1 to determine the dollar fee for Account #1. Likewise, the total assets are applied to the Account #2 breakpoints to determine the average fee rate for Account #2, which is then multiplied by the actual amount of assets in Account #2 to determine the dollar fee for Account #2.

Only certain accounts can be included in a Billing Relationship, based on applicable rules and regulations and MSWM's policies and procedures. Even where accounts are eligible to be related under these policies and procedures, they will only be included in a Billing Relationship if this is specifically agreed between you and your Financial Advisor. For more information about which of your accounts are grouped in a particular Billing Relationship, please contact your Financial Advisor.

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

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

**Other.** A portion of the MSWM Fee will be paid to your Financial Advisor. See "Compensation to Financial Advisors" in Item 4.D below for more information.

## B. Comparing Costs

Program fees vary across different programs. You may be able to obtain similar services separately for a lower fee from MSWM or elsewhere. Several factors determine whether it would cost more or less to participate in a program rather than to purchase the services separately (including the size of your account, the types of investments, whether the investments involve costs in addition to the program fee, and the amount of trading in the account). In addition, you could be able to obtain certain services or gain access to particular securities for a lower fee in one program as opposed to another. Purchases of mutual funds in your advisory account will be made in the advisory share class (if available), which generally has a lower cost than mutual fund share classes available in brokerage accounts. However, in an advisory account, in exchange for the advisory service you receive, you will pay an asset-based fee which you would not pay in a brokerage account. Therefore, the total fees you incur on your mutual fund investments in an advisory account may be higher or lower than the costs you incur if such mutual fund investment is held in one of the available share classes in a brokerage account. For more information about advisory share classes, please refer to the paragraph below titled "Mutual Fund Share Classes". You should consider these and other differences when deciding whether to invest in an investment advisory or a brokerage account and, if applicable, which advisory programs best suit your individual needs. For more information about the differences between brokerage and advisory accounts, please refer to our Form CRS (Client Relationship Summary) at [www.morganstanley.com/adv](http://www.morganstanley.com/adv) as well as the document entitled "Understanding your Brokerage and Investment Advisory Relationships" which is available at: <http://relationshipwithms/pdfs/understandingyourrelationship.pdf>.

## C. Additional Fees

The MSWM Fee does not cover:

- the costs of investment management fees and other expenses charged by mutual funds and ETFs (see below for more details);
- "mark-ups," "mark-downs," and dealer spreads, if any, (A) that MSWM or its affiliates, including MS&Co., receive when acting as principal in certain transactions where permitted by law, rule, or regulation or (B) that other broker-dealers receive when acting as principal in certain transactions effected through MSWM and/or its affiliates acting as agent, which is typically the case for dealer market transactions (e.g., fixed income, over-the-counter equity, and foreign exchange ("FX") conversions in connection with purchases or sales of FX-denominated securities and with payments of principal and interest dividends on such securities);
- Underwriting, investment banking, and other fees where MS&Co. is a member of an underwriting syndicate
- fees or other charges that you may incur in instances where a transaction is effected through a third-party broker-dealer and not through us or our affiliates. Such fees or other charges will be included in the price of the security and not reflected as a separate charge on your trade confirmations or account statements;

- MSWM account establishment or maintenance fees for IRAs and Versatile Investment Plans ("VIP"), which are described in the respective IRA and VIP account and fee documentation (which may change from time to time);
- account closing/transfer costs;
- processing fees;
- any pass-through or other fees associated with investments in American Depository Receipts (ADRs); and/or
- certain other costs or charges (including, fees that may be imposed by third parties, odd-lot differentials, transfer taxes, foreign custody fees, exchange fees, and supplemental transaction fees as well as regulatory fees and other fees or taxes required that may be imposed pursuant to law

## Funds in Advisory Programs

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

You do not pay any sales charges for purchases of Funds in your advisory account. However, some mutual funds may charge, and not waive, a redemption fee on certain transaction activity in accordance with the policies described in the applicable prospectus.

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

In addition to the MSWM Fee, MSWM also receives the following fees and payments in connection with your investment in a Fund:

**Expense Payments and Fees for Data Analytics.** MSWM provides Fund families with opportunities to sponsor meetings and conferences and grants them access to our branch offices and Financial Advisors for educational, marketing, and other promotional efforts. Some Fund representatives work closely with our branch offices and Financial Advisors to develop business strategies and support promotional events for clients and prospective clients, and educational activities. Some Fund families or their affiliates reimburse MSWM for certain expenses incurred in connection with these promotional efforts, client seminars, and/or training programs. Fund families independently decide if and what they will spend on these activities, with some

Fund families agreeing to make substantial annual dollar amount expense reimbursement commitments. Fund families also invite our Financial Advisors to attend Fund family-sponsored events. Expense payments may include meeting or conference facility rental fees and hotel, meal, and travel charges. For more information regarding the payments MSWM receives from Fund families, please refer to the brochures titled “Mutual Fund Features, Share Classes and Compensation” and “ETF Revenue Sharing, Expense Payments and Data Analytics” (together, the “Mutual Fund and ETF Brochures”), which can be found at <https://www.morganstanley.com/disclosures>. The Mutual Fund and ETF Brochures are also available from your Financial Advisor on request.

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

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

***Conflicts of Interest regarding the Above-Described Expense Payments and Fees for Data Analytics.*** The above-described payments and fees are retained by MSWM and not refunded to you. Therefore, these payments and fees present a conflict of interest for MSWM and our Financial Advisors as they are an incentive for us to promote and recommend those Funds from sponsors that make these payments rather than other eligible investments that do not make these or similar payments. This in turn could lead Morgan Stanley and/or our Financial Advisors to focus on those Fund families that provide significant sales expense payments and/or purchase data analytics. In order to mitigate these conflicts, Financial Advisors do not receive additional compensation as a result of the data analytics fees received by Morgan Stanley.

#### ***Other Compensation***

Morgan Stanley or its affiliates receive, from certain Funds, compensation in the form of commissions and other fees for providing traditional brokerage services, including related research and advisory support, and for purchases and sales of securities in Fund portfolios. We and/or our affiliates also receive other compensation for certain Funds for financial services performed for the benefit of such Funds, including but not limited to providing stand-by liquidity facilities. Providing these services may give rise to a conflict of interest for Morgan Stanley or its affiliates to place their interests ahead of those of the Funds by, for example, increasing fees or curtailing services, particularly in times of market stress.

Morgan Stanley prohibits linking the determination of the amount of brokerage commissions and/or fees charged to a Fund

to the aggregate values of our overall Fund-share sales, client holdings of the Fund or to offset the revenue-sharing, administrative service fees, expense reimbursement and data analytics fees described above. Financial Advisors and their Branch Managers receive no additional compensation as a result of these payments received by Morgan Stanley.

In addition, we generally seek to be reimbursed for the associated operational and/or technology costs of adding an/or maintaining Funds on our platform. These flat fees are paid by Fund sponsors or other affiliates (and not the Funds). Financial Advisors and their Branch Managers do not receive compensation for recommending Funds that have reimbursed Morgan Stanley for our costs.

***Affiliated Funds.*** Certain Funds are sponsored or managed by, or receive other services from, MSWM and its affiliates, which include, but are not limited to, Morgan Stanley Investment Management, Eaton Vance, Boston Management and Research, Calvert Research and Management, Atlanta Capital Management Company and Parametric Portfolio Associates. MSWM or the affiliated sponsor (or other service provider) receives investment management fees and/or other fees from these Funds. Unless otherwise noted, MSWM or its affiliates retain these various fees which are not rebated to you. Therefore, MSWM has a conflict of interest in that it has an incentive to recommend MSWM proprietary and/or affiliated Funds. In order to mitigate this conflict, Financial Advisors do not receive additional compensation for recommending proprietary and/or affiliated funds. Additionally, affiliated Funds and sponsors are subject to the same economic arrangements with MSWM as those that MSWM has with third-party Funds.

To the extent that such affiliated Funds are offered to and purchased by Retirement Accounts, the MSWM Fee on any such Retirement Account will be reduced or adjusted by the amount of the Fund’s management fee, shareholder servicing fee and distribution fee that we, or our affiliates, may receive in connection with such Retirement Account’s investment in such affiliated fund. If your account is a Retirement Account invested in an investment strategy managed by an affiliate, including but not limited to Morgan Stanley Investment Management and Eaton Vance and its investment affiliates, MSWM shall offset or adjust any advisory fee such affiliated Manager receives or a portion of the MSWM Fee will be waived.

***Mutual Fund Share Classes.*** Mutual funds typically offer different ways to buy fund shares. Some mutual funds offer only one share class while most funds offer multiple share classes. Each share class represents an investment in the same mutual fund portfolio but assesses different fees and expenses. Many mutual funds have developed specialized share classes designed for advisory programs (“Advisory Share Classes”). In general, Advisory Share Classes are not subject to either sales loads or ongoing marketing, distribution and/or service fees (often referred to as “12b-1 fees”), although some will assess fees for record keeping and related administrative services, as disclosed in the applicable prospectus.

MSWM typically utilizes Advisory Share Classes that compensate MSWM for providing such recordkeeping and related administrative services to its advisory clients. If you wish to purchase other types of Advisory Share Classes, such as those that do not compensate intermediaries for record keeping and

administrative services, which generally carry lower overall costs and would thereby increase your investment return, you will need to do so directly with the mutual fund or through an account at another financial intermediary.

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

If you hold non-Advisory Share Classes of mutual funds in your advisory account or seek to transfer non-Advisory Share Classes of mutual funds into your advisory account, MSWM (without notice to you) will generally convert those shares to Advisory Share Classes to the extent they are available. This will typically result in your shares being converted into a share class that has a lower expense ratio, although exceptions are possible. Subject to limited exceptions, any fees that you pay while holding non-Advisory Share Classes (e.g., sales loads, 12b-1 fees, etc.) will not be offset, rebated or refunded to you when your non-Advisory Share Class is converted into an Advisory Share Class.

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

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

## Cash Sweeps

Generally, some portion of your account will be held in cash. If MSWM acts as custodian for your account, it will effect transactions of free credit balances in your account into interest-bearing deposit accounts (“Deposit Accounts”) established under the Bank Deposit Program (“BDP”). For most clients, BDP will be the designated cash sweep. The interest rates for BDP in your account will be tiered based upon the value of the BDP balances across your brokerage and advisory accounts. The BDP assets in your advisory accounts receive separate interest rates from deposits in your brokerage accounts and are set forth in: <https://www.morganstanley.com/wealth-general/ratemonitor>. Generally, the rate you will earn on BDP will be lower than the rate on other available cash alternatives. In limited circumstances, such as for clients ineligible for BDP, MSWM may sweep some or all of your cash into money market mutual funds (each a “Money Market Fund”). These Money Market Funds are managed by MSIM or another MSWM affiliate. Pathway Funds are not included as an investment in the Cash Sweep.

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

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

MSWM, acting as your custodian, will effect sweep transactions only to the extent permitted by law and if you meet the eligibility criteria. Under certain circumstances (as described in the Bank Deposit Program Disclosure) eligible deposits in BDP may be sent to non-affiliated Program Banks (; this additional feature may provide enhanced FDIC coverage to you as well as funding value benefits to the Morgan Stanley Sweep Banks. For eligibility criteria applicable to this additional feature and BDP generally, please refer to the Bank Deposit Program Disclosure Statement which is available at: [http://www.morganstanley.com/wealth-investmentstrategies/pdf/BDP\\_disclosure.pdf](http://www.morganstanley.com/wealth-investmentstrategies/pdf/BDP_disclosure.pdf)

### *Conflicts of Interest Regarding Sweep Investments*

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

In addition, MSWM and the Morgan Stanley Sweep Banks and their affiliates receive other financial benefits in connection with the BDP. Through the BDP, each Morgan Stanley Sweep Bank will receive a stable, cost-effective source of funding. Each Morgan Stanley Sweep Bank intends to use deposits in the Deposit Accounts at the Morgan Stanley Sweep Banks to fund current and new businesses, including lending activities and investments. The profitability on such loans and investments is generally measured by the difference, or “spread,” between the interest rate paid on the Deposit Accounts at the Morgan Stanley Sweep Banks and other costs of maintaining the Deposit Accounts, and the interest rate and other income earned by the Morgan Stanley Sweep Banks on those loans and investments made with the funds in the Deposit Accounts. The cost of funds for the Morgan Stanley Sweep Banks of deposits through the sweep program in ordinary market conditions is lower than their cost of funds through some other sources, and the Morgan Stanley Sweep Banks also receive regulatory capital and liquidity benefits

from using the sweep program as a source of funds as compared to some other funding sources. The income that a Morgan Stanley Sweep Bank will have the opportunity to earn through its lending and investing activities in ordinary market conditions is greater than the fees earned by us and our affiliates from managing and distributing the Money Market Funds which may be available to you as a sweep investment.

Morgan Stanley has added Program Banks to the BDP in order to maximize the funding value of the deposits in BDP for the Morgan Stanley Sweep Banks. On any given day, you may have deposits that are sent to a Program Bank depending on the funding value considerations of the Morgan Stanley Sweep Banks and the capacity of the depository networks that allocate deposits to the Program Banks. In addition to the benefits to the Morgan Stanley Sweep Banks, you may also benefit from having deposits sent to the Program Banks by receiving FDIC insurance on deposit amounts that would otherwise be uninsured. In return for receiving deposits through BDP, the Program Banks provide other deposits to the Morgan Stanley Sweep Banks. This reciprocal deposit relationship provides a low-cost source of funding, and capital and liquidity benefits to both the Program Banks and the Morgan Stanley Sweep Banks. The Program Banks pay a fee to a Program Administrator in connection with the reciprocal deposits, but the cost of that fee is not borne directly by Morgan Stanley clients.

The Morgan Stanley Sweep Banks have discretion in setting the interest rates paid on deposits received through BDP, and are under no legal or regulatory requirement to maximize those interest rates. The Morgan Stanley Sweep Banks and the Program Banks can and sometimes do pay higher interest rates on some deposits they receive directly than they pay on deposits received through BDP. This discretion in setting interest rates creates a conflict of interest for the Morgan Stanley Sweep Banks. The lower the amount of interest paid to customers, the greater is the “spread” earned by the Morgan Stanley Sweep Banks on deposits through the Program, as explained above. By contrast, money market funds (including Morgan Stanley affiliated money market funds) have a fiduciary duty to seek to maximize their yield to investors, consistent with their disclosed investment and risk-management policies and regulatory constraints.

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

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

We have a conflict of interest as we have an incentive to only offer affiliated Money Market Funds in the Cash Sweep program, as MSIM (or another MSWM affiliate) will receive compensation for managing the Money Market Fund. We also have a conflict of interest as we offer affiliated funds and share classes that pay us more compensation than other funds and share classes. You should understand these costs because they decrease the return on your investment. In addition, we receive additional payments from Morgan Stanley Investment Management Inc. in the event a Money Market Fund waives certain fees in a manner that reduces the compensation that we would otherwise receive. We either rebate to clients or do not receive compensation on sweep Money Market Fund positions held in our fee-based advisory account programs.

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

## **D. Compensation to Financial Advisors**

We allocate to your Financial Advisor, on an ongoing basis, part of the MSWM Fee you pay to us in connection with your account. The Financial Advisor may receive different compensation depending on which program you invest in, the asset class within a program that you select (e.g., equity vs. fixed income), and the rate and amount of your fee.

The amount we allocate to your Financial Advisor may be more, or in some instances as described below, less, than if you participate in other MSWM investment advisory programs, or if you pay separately for investment advice, brokerage, and other services.

The rate of compensation we pay Financial Advisors with respect to program account fees may be higher than the rate we pay Financial Advisors on trades executed in transaction-based brokerage accounts. In such instance, your Financial Advisor has a financial incentive to recommend one of the programs in this Brochure (or asset classes within a program) instead of other MSWM programs or services. Beginning July 1, 2022, the portion of the fee allocated to your Financial Advisor will decrease if your account remains in the IMS program for 24 months or longer. As such, your Financial Advisor may have a financial incentive to recommend a different program on the MSWM platform, including programs that offer the portfolio management services of affiliated and non-affiliated Managers which are reviewed, selected and approved by MSWM. Such policy will not apply to IMS program accounts held by institutional clients and/or where MSWM does not act as the custodian.

Your Financial Advisor may negotiate a fee that is less than the MSWM maximum fee rate stated above. The amount of the fee you pay is a factor we use in calculating the compensation we pay your Financial Advisor. Therefore, Financial Advisors have a financial incentive not to reduce fees. If your fee rate is below a certain threshold, we give your Financial Advisor credit for less than the total amount of your fee in calculating his or her compensation. Therefore, Financial Advisors also have a financial incentive not to reduce fees below such threshold.

## Item 5: Account Requirements and Types of Clients

**Account Minimums.** The minimum account sizes are set by each Manager and generally range from \$50,000 to \$5 million or higher.

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

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

## Item 6: Portfolio Manager Selection and Evaluation

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

#### CES Program

##### Selection and Review of Managers and Strategies

Item 4.A above describes the basis on which we recommend particular Managers or Strategies to particular clients. This Item 6.A describes more generally how we select, review, approve and terminate Managers or Strategies (collectively, as used in this Item 6.A, “Investment Products”) which are available in this Program and covered by GIMA.

**Focus List and Approved List Review Process.** Morgan Stanley’s Global Investment Manager Analysis group (“GIMA”) evaluates the Investment Products to be offered in the Program. GIMA may delegate some of its functions to an affiliate or third party. Investment Products may only participate in the Program if they are on GIMA’s Focus List or Approved List, as discussed below. The Focus List status indicates GIMA’s high confidence level in the overall quality of the investment option and its ability to outperform applicable benchmarks or peers, as applicable, over a full market cycle while the Approved List includes Investment Products that meet an acceptable due diligence standard based upon GIMA’s evaluation. You may obtain a copy of the Focus and/or Approved List from your Financial Advisor. Only some of the Investment Products approved by GIMA may be available in the Program.

In addition to requiring Investment Products to be on the Focus List or Approved List, we look at other factors in determining which Investment Products we offer in the Program, including:

- program needs (such as whether we have a sufficient number of Investment Products available in an asset class);
- client demand; and
- the Manager’s minimum account size.

As part of its diligence and review process, GIMA obtains certain information and documentation from a Manager, which may include a Request for Information (RFI), sample portfolios, asset allocation histories, its Form ADV (the form that investment managers use to register with the SEC), past performance information and marketing literature. Additional factors for consideration may include personnel depth, turnover and experience, investment process, business and organization characteristics, and investment performance. GIMA personnel may also interview the Manager and its key personnel and examine its operations.

Following this review process, GIMA will determine whether an Investment Product should be placed on the Approved List or the Focus List based upon its conviction in the Manager and the Strategy and whether they meet the criteria for the applicable List.

Thereafter, GIMA periodically reviews Investment Products on the Approved List and Focus List to determine whether they continue to meet the appropriate standards. GIMA considers a broad range of factors (which may include investment performance, staffing, operational issues, and financial condition). Among other things, GIMA personnel may interview each Manager periodically to discuss these matters.

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

**Changes in Status to Not Approved.** GIMA may determine that an Investment Product no longer meets the criteria for either the Focus List or Approved List and change its status to “Not Approved”. At such time, the Investment Product will no longer be recommended and will be terminated from the Program within a reasonable amount of time. We may terminate Investment Products from the Program for other reasons as well (*i.e.*, the Investment Product has a low level of assets under management in the Program, the Investment Product has limited capacity for further investment, or the Investment Product is not complying with our policies and procedures).

We notify affected clients of these downgrades. You cannot retain Not Approved Investment Products in your CES account and must select a replacement from the Approved List or Focus List, and that is available in the program, if you wish to retain the program’s benefits with respect to the affected assets.

When an Investment Product is terminated, GIMA generally recommends a replacement Investment Product. In selecting the replacement Investment Product, GIMA generally looks for an Investment Product in the same asset class and with similar attributes and holdings to the terminated Investment Product.

In some circumstances when a Manager or Strategy is terminated, you may be able to transfer the assets into another advisory program or into a brokerage account subject to that program or account’s applicable guidelines. Ask your Financial Advisor about these options.

##### **Termination of Investment Products for Drop in Coverage.**

As indicated above in this Item 6.A, we may terminate Investment Products from the Program due to a GIMA downgrade to “Not Approved,” or for various other reasons. A termination for reasons other than a GIMA downgrade to “Not Approved” will be referred to in this Brochure as a “Drop in Coverage”.

Once we have decided to institute a Drop in Coverage for an Investment Product, we will generally not permit new investment in such Investment Product. However, for a period of time, we will permit clients to remain invested in that Investment Product and, in certain circumstances, to add new assets to that Investment Product. This is to allow impacted clients time and flexibility to work with their Financial Advisor to select a replacement Investment Product.

During this period, GIMA will continue to evaluate the impacted Investment Product. If GIMA downgrades the Investment Product to “Not Approved,” we will terminate the Investment Product at that time (rather than allowing current clients to utilize it for the remainder of the period).

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

**Other Changes.** If you request any change to the account, and subsequent account statements or other communications indicate that the requested change has not been implemented, you must promptly notify your Financial Advisor.

If you request that any security(ies) be transferred out of an account, MSWM may suspend trading in the account until the transfer is complete (which may take several days). During this time, Fees (as defined below in this Item 4) will continue to accrue.

## **IMS Program**

As indicated above in Item 4.A, IMS accommodates clients who want to maintain a relationship with a Manager of their choice that is not covered by GIMA and thus not included in the due diligence process that GIMA employs for Managers in other investment advisory programs offered by MSWM. However, some mutual funds available to be invested in through Managers in the IMS program are evaluated by GIMA and included on either the Focus or Approved List. In the event GIMA downgrades any mutual fund offered in the IMS program, it will be removed from the eligible universe available to the Managers if there are no holders of that downgraded fund. If there are active holders, MSWM will inform the Manager that the mutual fund was downgraded. The Manager has discretion to remain invested in the mutual fund or to invest in another mutual fund available on either the Focus list or Approved list. This decision will be made at the sole discretion of the Manager.

## **Other Relationships with Managers**

Some Managers approved for use in programs in this Brochure may have business relationships with us or our affiliates. For example, a Manager may use MS&Co. or an affiliate as its broker or may be an investment banking client of MS&Co. or an affiliate. GIMA does not consider the existence or lack of a business relationship in determining whether to approve or maintain a Manager.

## **B. Conflicts of Interest**

MSWM has various conflicts of interests relating to the Program. We address these conflicts by disclosing them to you in this Brochure.

**Advisory vs. Brokerage Accounts.** MSWM and your Financial Advisor may earn more compensation if you invest in a program described in this Brochure than if you open a brokerage account to buy individual securities (although, in a brokerage account, you would not receive all the benefits of the programs described in the Brochure). In such instance, your Financial Advisor and MSWM a financial incentive to recommend one of these programs described in this Brochure. We address this conflict of interest by disclosing it to you and by reviewing your account at account-opening to ensure that it is appropriate for you in light of matters such as your investment objectives and financial circumstances.

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

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

We address conflicts of interest by ensuring that any payments described in this “Payments from Managers” section do not relate to any particular transactions or investment made by MSWM clients with Managers. Fund Managers or subadvisors participating in programs described in this Brochure are not required to make any of these types of payments. The payments described in this section comply with FINRA rules relating to such activities. Please see the discussion under “Funds in Advisory Programs” in Item 4.C for more information.

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

**Trading or Issuing Securities in, or Linked to Securities in, Client Accounts.** MSWM and its affiliates may provide bids and

offers, and may act as a principal market maker, in respect of the same securities held in client accounts. MSWM, its affiliates and employees, the Managers in its programs and their affiliates and employees, may hold a position (long or short) in the same securities held in client accounts. MSWM and its affiliates are regular issuers of traded financial instruments linked to securities that may be purchased in client accounts. From time to time, the trading of MSWM, a Manager or their affiliates – both for their proprietary accounts and for client accounts – may be detrimental to securities held by a client and thus create a conflict of interest between those trades and the investment advisory services that MSWM or a Sub-Manager provides to you.

**Trade Allocations.** Your Manager may aggregate the securities to buy or sell for more than one client to obtain favorable execution to the extent permitted by law. The Manager is then responsible for allocating the trade in a manner that is equitable and consistent with its fiduciary duty to its clients (which could include, e.g., pro rata allocation, random allocation, or rotation allocation). For block trade orders executed by MSWM, the price to each client is the average price for the aggregate order.

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

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

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

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

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

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

**Certain Trading Systems.** MSWM may effect trades or securities lending transactions on behalf of client accounts through exchanges, electronic communication networks or other alternative trading systems (“Trading Systems”), including Trading Systems with respect to which MSWM or its affiliates may have a non-controlling direct or indirect ownership interest, or right to appoint a board member or observer. If MSWM directly or indirectly effects client trades or transactions through Trading Systems in which MSWM or its affiliates have an ownership interest, MSWM or its affiliates may receive an indirect economic benefit based on their ownership interest. In addition, subject at all times to its obligations to obtain best execution for its customers’ orders, it is contemplated that MSWM will route certain customer order flow to its affiliates.

Currently, MSWM and/or its affiliates own equity interests (or interests convertible into equity) of 5% or more in certain Trading Systems or their parent companies, including MEMEX Holdings LLC; OTCDeriv Limited; EOS Precious Metals Limited; CreditDeriv Limited; FXGLOBALCLEAR; Dubai Mercantile Exchange; Japan Securities Depository Center Inc.; Yensai.com Co., Ltd; and Octaura Holdings LLC.

The Trading Systems on which MSWM trades or effects securities lending transactions for client accounts and in which MSWM or its affiliates own interests may change from time to time. You can contact your Financial Advisor for an up-to-date list of Trading Systems in which MSWM or its affiliates own interests and on which MSWM and/or MS&Co. trade for client accounts.

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

Certain Trading Systems through which MSWM and/or MS&Co. may directly or indirectly effect client trades execute transactions

on a “blind” basis, so that a party to a transaction does not know the identity of the counterparty to the transaction. It is possible that an order for a client account that is executed through such a Trading System could be automatically matched with a counterparty that is (i) another investment advisory or brokerage client of MSWM or one of its affiliates or (ii) MSWM or one of its affiliates acting for its own proprietary accounts.

#### ***MSWM Affiliate in Underwriting Syndicate; MSWM Distribution of Securities; Other Relationships with Security Issuers.***

If an affiliate of MSWM is a member of the underwriting syndicate from which a security allocated to your account is purchased, we or our affiliates could directly or indirectly benefit from such purchase. Moreover, depending on the type of security, the structure of the offering, and the demand for the offering, any benefit we or our affiliates obtain could be independent of demand from MSWM client accounts.

If MSWM participates in the distribution of new issue securities that are purchased for a client’s account, MSWM will receive a fee, to be paid by the issuing corporation to the underwriters of the securities and ultimately to MSWM, which will be deemed additional compensation to us, if received by us.

MSWM and/or its affiliates have a variety of relationships with, and provide a variety of services to, issuers of securities recommended for client accounts, including investment banking, corporate advisory and services, underwriting, consulting, and brokerage relationships. As a result of these relationships with an issuer, MSWM or its affiliates may directly or indirectly benefit from a client’s purchase or sale of a security of the issuer. For example, MSWM or its affiliates may provide hedging services for compensation to issuers of structured investments (such as structured notes) recommended for client accounts. In such a case, MSWM or its affiliates could benefit if a client account purchased such an instrument, or sold such an instrument to another purchaser in lieu of selling or redeeming the instrument back to the issuer, as such transactions could result in the issuer of the instrument continuing to pay MSWM or its affiliates fees or other compensation for the hedging services related to such instrument. Similarly, if the hedging service with respect to such an instrument is not profitable for MSWM or its affiliates, MSWM or its affiliates may benefit if MSWM’s client accounts holding such instruments sold or redeemed them back to the issuer. We address these conflicts by disclosing them to you in this Brochure. Also, in the event of corporate actions with respect to securities held in client accounts, to the extent such corporate actions result in exchanges, tender offers, or similar transactions, MSWM and/or its affiliates may participate in and/or advise on such transactions and receive compensation. The interest of MSWM’s affiliates in these corporate actions may conflict with the interest of MSWM clients. In addition, where an affiliate of MSWM is representing or advising the issuer in a transaction, the interest of the issuer may conflict with client interests and create a potential conflict of interest for MSWM. MSWM also provides various services to issuers, their affiliates, and insiders, including but not limited to, stock plan services and financial education for which MSWM receives compensation.

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

Affiliates of MSWM may serve as the investment advisor or other service provider for certain funds or strategies offered in the

Program and earn investment management fees for providing investment advisory services to such funds or strategies (or earn other fees for providing other services). As a result, we have a potential conflict of interest in recommending these funds or strategies over others.

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

***Investments in Sweep Investments or Mutual Funds.*** As described in Item 4.C above, with respect to non-Retirement Account clients, MSWM or its affiliates earn greater compensation from mutual funds than from separate accounts. At times, a Manager may believe that it is in a client’s interest to maintain assets in cash, particularly for defensive purposes in volatile markets. The above-described Bank Deposit Program revenue and fees for Money Market Funds for accounts of non-Retirement Account clients and other payments create a conflict of interest to the extent that the additional payments influence MSWM to recommend or select a Strategy, model, Manager, or investment style that favors cash balances.

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

***Affiliated Managers.*** From time to time, we may offer Managers in the CES program that are affiliated with us. Although some investment Managers and/or some investment strategies may be available in more than one program, each program may offer investment Managers and other features that are not available in other MSWM programs. The Client understands that we and our affiliates will receive more aggregate fees when the Client selects a Manager affiliated with us than if the Client selects a Manager that is not affiliated with us. Thus, MSWM and its Financial Advisors have a conflict of interest as they have a financial incentive to recommend affiliated Managers to the Client. Client may choose only unaffiliated Managers if it so desires. Similarly, if a Manager is not affiliated with us but we have an ownership share in the Manager, we and our Financial Advisors have a conflict of interest as we have a financial incentive to recommend that Manager to the Client because, as an owner, we benefit from the Manager’s profits.

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

***Benefits to Financial Advisors.*** Client understands that MSWM or Financial Advisors or employees of MSWM affiliates may receive a financial benefit from any Manager in the form of compensation for trade executions for the accounts of the Manager or accounts that are managed by such Manager or

through referrals of brokerage or investment advisory accounts to MSWM or to the Financial Advisor or employees of MSWM affiliates by such Manager. These Managers may include a Manager recommended to clients by the Financial Advisor or employees of MSWM affiliates in any of the Consulting Group programs.

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

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

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

## Item 7: Client Information Provided to Portfolio Managers

Your Financial Advisor has access to the information you provide at - and subsequent to - account opening (the "Client Information"), including, but not limited to, your name, address, contact information, transaction detail, information regarding your investment objectives, financial information, risk tolerance, and any reasonable restrictions you may impose on management of your account. This includes information in the client profile and investment questionnaire you complete (or your Financial Advisor completes for you) as part of the account opening process.

At account opening, or subsequently as necessary to service your relationship, Morgan Stanley may provide your Sub-Manager with certain Client Information.

Your selection of a Sub-Manager is deemed to be your consent to us to provide Client Information to such Sub-Manager. You can revoke that consent at any time by terminating the account.

## Item 8: Client Contact with Portfolio Managers

You have a direct contractual relationship with the Manager, and therefore may contact the Manager. We do not restrict you from contacting and consulting with your portfolio Manager.

## Item 9: Additional Information

### Disciplinary Information

This section contains information on certain legal and disciplinary events.

- On June 8, 2016, the SEC entered into a settlement order with MSWM ("June 2016 Order") settling an administrative action. In this matter, the SEC found that MSWM willfully violated Rule 30(a) of Regulation S-P (17 C. F. R. § 248.30(a)) (the "Safeguards Rule"). In particular, the SEC found that, prior to December 2014, although MSWM had adopted written policies and procedures relating to the protection of customer records and information, those policies and procedures were not reasonably designed to safeguard its customers' personally identifiable information as required by the Safeguards Rule and therefore failed to prevent a MSWM employee, who was subsequently terminated, from misappropriating customer account information. In determining to accept the offer resulting in the June 2016 Order, the SEC considered the remedial efforts promptly undertaken by MSWM and MSWM's cooperation afforded to the SEC Staff. MSWM consented, without admitting or denying the findings, to a censure, to cease and desist from committing or causing future violations, and to pay a civil penalty of \$1,000,000.

- On January 13, 2017, the SEC entered into a settlement order with MSWM ("January 2017 Order") settling an administrative action. The SEC found that from 2009 through 2015, MSWM inadvertently charged advisory fees in excess of what had been disclosed to, and agreed to by, its legacy clients of Citigroup Global Markets Inc., a predecessor to MSWM, and, from 2002 to 2009 and from 2009 to 2016, MS&Co. and MSWM, respectively, inadvertently charged fees in excess of what was disclosed to and agreed to by their clients. The SEC also found that MSWM failed to comply with requirements regarding annual surprise custody examinations for the years 2011 and 2012, did not maintain certain client contracts, and failed to adopt and implement written compliance policies and procedures reasonably designed to prevent violations of the Investment Advisers Act of 1940 (the "Advisers Act"). The SEC found that, in relation to the foregoing, MSWM willfully violated certain sections of the Advisers Act. In determining to accept the offer resulting in the January 2017 Order, the SEC considered the remedial efforts promptly undertaken by MSWM. MSWM consented, without admitting or denying the findings, to a censure, to cease and desist from committing or causing future violations, to certain undertakings related to fee billing, books and records and client notices and to pay a civil penalty of \$13,000,000.

- On February 14, 2017, the SEC entered into a settlement order with MSWM settling an administrative action. The SEC found that from March 2010 through July 2015, MSWM solicited approximately 600 non-discretionary advisory accounts to purchase one or more of eight Single Inverse Exchange Traded Funds ("SIETFs"), without fully complying with its internal written compliance policies and procedures related to these SIETFs, which among other things required that clients execute a disclosure notice, describing the SIETF's features and risks, prior to purchasing them, for MSWM to maintain the notice, and for subsequent related reviews to be performed. The SEC found that, despite being aware of deficiencies with its compliance and documentation of the policy requirements, MSWM did not conduct a comprehensive analysis to identify and correct past failures where the disclosure notices may not have been

obtained and to prevent future violations from occurring. The SEC found that, in relation to the foregoing, MSWM willfully violated section 206(4) of the Investment Advisers Act of 1940 and Rule 206(4)-7 thereunder. MSWM admitted to certain facts and consented to a censure, to cease and desist from committing or causing future violations, and to pay a civil penalty of \$8,000,000.

- On June 29, 2018, the SEC entered into a settlement order with MSWM settling an administrative action which relates to misappropriation of client funds in four related accounts by a single former MSWM financial advisor (“FA”). The SEC found that MSWM failed to adopt and implement policies and procedures or systems reasonably designed to prevent personnel from misappropriating assets in client accounts. The SEC specifically found that, over the course of eleven months, the FA initiated unauthorized transactions in the four related client accounts in order to misappropriate client funds. The SEC found that while MSWM policies provided for certain reviews prior to issuing disbursements, such reviews were not reasonably designed to prevent FAs from misappropriating client funds. Upon being informed of the issue by representatives of the FA’s affected clients, MSWM promptly conducted an internal investigation, terminated the FA, and reported the fraud to law enforcement agencies. MSWM also fully repaid the affected clients, made significant enhancements to its policies, procedures and systems (“Enhanced MSWM Policies”) and hired additional fraud operations personnel. The SEC found that MSWM willfully violated section 206(4) of the Advisers Act and Rule 206(4)-7 thereunder. The SEC also found that MSWM failed to supervise the FA pursuant to its obligations under Section 203(e)(6) of the Advisers Act. MSWM consented, without admitting or denying the findings, to a censure; to cease and desist from committing or causing future violations; to certain undertakings, including certifications related to the implementation and adequacy of the Enhanced MSWM Policies and to pay a civil penalty of \$3,600,000.

- On May 12, 2020, the SEC entered into a settlement order with MSWM settling an administrative action which relates to certain information provided in marketing and client communications to retail advisory clients in MSWM’s wrap fee programs with third-party Managers and MSWM’s policies and procedures related to trades not executed at MSWM. In the applicable wrap fee programs, the third-party Manager has the discretion to place orders for trade execution on clients’ behalf at a broker-dealer other than Morgan Stanley. MSWM permits Managers to “trade away” from MSWM in this manner in order to seek best execution for trades. The SEC found that, from at least October 2012 through June 2017, MSWM provided incomplete and inaccurate information indicating that MSWM executed most client trades and that, while additional transaction-based costs were possible, clients did not actually incur them in the ordinary course. The SEC found that this information was misleading for certain retail clients because some wrap Managers directed most, and sometimes all, client trades to third-party broker-dealers for execution, which resulted in certain clients paying transaction-based charges that were not visible to them. The SEC also found that, on occasion, wrap Managers directed trades to MSWM-affiliated broker-dealers in which clients incurred

transaction-based charges in violation of MSWM’s affiliate trading policies without detection by MSWM. The SEC noted in the order that it considered certain remedial acts undertaken by MSWM in determining to accept the order, including MSWM enhancing its disclosures to clients, implementing training of financial advisors, enhancing relevant policies and procedures, and refunding clients’ transaction-based charges paid to Morgan Stanley affiliates. The SEC found that MSWM willfully violated certain sections of the Investment Advisers Act of 1940, specifically Sections 206(2) and 206(4) and Rule 206(4)-7 thereunder. MSWM consented, without admitting or denying the findings and without adjudication of any issue of law or fact, to a censure; to cease and desist from committing or causing future violations; and to pay a civil penalty of \$5,000,000.

- On December 9, 2024, the SEC entered into a settlement order with MSWM settling an administrative action, which relates to misappropriation of client funds in brokerage and advisory accounts by four former MSWM financial advisors (the “FAs”). The SEC found that MSWM failed to adopt and implement policies and procedures reasonably designed to prevent personnel from misusing and misappropriating funds in client accounts and that MSWM’s inadequate policies and procedures and systems to implement them led to its failure reasonably to supervise the four FAs, who misappropriated funds from client and customer accounts while employed at MSWM. Specifically, the SEC found that MSWM failed to adopt and implement policies and procedures reasonably designed to prevent and detect unauthorized externally-initiated ACH payments and unauthorized cash wires. Upon being informed of the potential unauthorized activity in the customer accounts of two of the FAs, MSWM promptly investigated the matters, terminated the FAs, reported the fraud to law enforcement agencies, and fully repaid the affected clients. MSWM also conducted a retroactive review of payment instructions for externally-initiated ACH payment instructions, which led to the identification of misconduct by the other two FAs. MSWM accordingly terminated the other two FAs and reported the misconduct to SEC staff. On its own initiative, MSWM instituted new written procedures to address the conduct at issue and retained an independent compliance consultant to perform a review and assessment. The SEC found that MSWM willfully violated section 206(4) of the Investment Advisers Act of 1940 (“Advisers Act”) and Rule 206(4)-7 thereunder. The SEC also found that MSWM failed to supervise the FAs within the meaning of Section 203(e)(6) of the Advisers Act and/or Section 15(b)(4)(E) of the Securities Exchange Act of 1934. MSWM consented, without admitting or denying the findings, to a censure; to cease and desist from committing or causing future violations; to certain undertakings, including the retention of an Independent Compliance Consultant to review MSWM’s policies, procedures and controls related to the conduct in the Order and to pay a civil penalty of \$15,000,000.

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

## Other Financial Industry Activities and Affiliations

Morgan Stanley (“Morgan Stanley Parent”) is a financial holding company under the Bank Holding Company Act of 1956. Morgan Stanley Parent is a corporation whose shares are publicly held and traded on the New York Stock Exchange (“NYSE”). MSWM is a wholly owned indirect subsidiary of Morgan Stanley Parent.

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

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

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

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

- MSWM and MS&Co. generally do not act as principal in executing trades for MSWM investment advisory clients, except as permitted by applicable laws, rules, and regulations.
- Regulatory restrictions may limit your ability to purchase, hold or sell equity and debt issued by Morgan Stanley Parent and its affiliates in some investment advisory programs.
- Certain regulatory requirements may limit MSWM’s ability to execute transactions through alternative execution services (e.g., electronic communication networks and crossing networks) owned by MSWM, MS&Co. or their affiliates.

These restrictions may adversely impact your account performance.

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

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

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

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

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

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

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

**Market Transition Away from LIBOR.** The following applies to holders of products directly or indirectly linked to the London Interbank Offered Rate (“LIBOR”) or the Secured Overnight Financing Rate (“SOFR”) and investors that are considering purchasing such products. Depending on your current holdings and investment plans, this information may or may not be applicable to you.

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

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

The market transition away from LIBOR to alternative rates is complex and could have a range of impacts on financial products and transactions directly or indirectly linked to LIBOR. For example, the fallback provisions in your LIBOR-based products, or the absence thereof, could have an adverse effect on the value of such products as well as your investment strategy. Documentation governing existing LIBOR-based products may contain “fallback provisions”, which provide for how the applicable interest rate will be calculated if LIBOR ceases or is

otherwise unavailable. Fallback provisions can materially differ across products and even within a given asset class. Furthermore, such provisions may not contemplate alternative reference rates such as SOFR (in particular in older documentation) and/or may result in increased uncertainty and change the economics of the product when LIBOR ceases. Clients utilizing hedging strategies may also face basis risk due to inconsistent fallback provisions in their various investments. Recently, federal legislation was signed into law that will provide for a SOFR-based rate plus a spread to replace LIBOR for those contracts without effective fallback provisions.

With respect to an investment in SOFR-linked products and products that will fallback to SOFR, you should understand the terms of the particular product and the related risks. The composition and characteristics of SOFR are not the same as LIBOR and, as a result, SOFR may not perform in the same way as LIBOR would have. Further, the SOFR-linked products that have been issued to date apply different market conventions to calculate interest and therefore these products have different risks and considerations.

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

This is a developing situation and the above information is subject to change. For more information on the potential replacement of LIBOR, the recommended alternative rate, SOFR, and certain considerations relating to LIBOR- and SOFR-linked products, please see [www.morganstanley.com/wm/LIBOR](http://www.morganstanley.com/wm/LIBOR). Please also contact a member of your Morgan Stanley team for information, including if you have questions about whether you hold LIBOR-based products.

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

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

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

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

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

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

**Reviewing Accounts** At account opening, we confirm that the account type, program, and investment strategy are appropriate for you.

Your Financial Advisor is then responsible for monitoring your account on an ongoing basis. MSWM also monitors your accounts on a periodic basis (e.g., identifying and reviewing accounts with a high cash balance and inactive accounts).

*See Item 4.A above for a discussion of account statements and periodic reviews provided for your account.*

**Client Referrals and Other Compensation** See “Payments from Investment Managers” and “Payments from Mutual Funds” in Item 6.B above.

MSWM may compensate affiliates and unaffiliated third parties for client referrals in accordance with Rule 206(4)-1 of the Advisers Act. If you open an account in an investment advisory program, the compensation paid to any such entity will typically consist of an ongoing cash payment stated as a percentage of MSWM’s advisory fee or a one-time flat fee, but may include cash payments determined in other ways.

**Financial Information** We are not required to include a balance sheet in this Brochure because we do not require or solicit

prepayment of more than \$1,200 in fees per client, six months or more in advance.

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

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

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

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

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

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

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

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

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

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

MSWM also believes that investing a Retirement Account's assets in the Deposit Accounts is appropriate. Terms of the Bank Deposit Program are further described in the Bank Deposit Program Disclosure Statement (available at: [http://www.morganstanley.com/wealth-investmentstrategies/pdf/BDP\\_disclosure.pdf](http://www.morganstanley.com/wealth-investmentstrategies/pdf/BDP_disclosure.pdf))

The fund expense information below reflects the most recent information available to us as of December 31, 2024, and is subject to change. Please refer to the funds' current prospectuses, statements of additional information and annual reports for more

Fund	Advisory Fee	Distribution and Service Fees	Shareholder Service Fee	Other Expenses	Total Annual Fund Operating Expenses	Total Annual Fund Operating Expenses After Fee Waivers and/or Expense Reimbursements
MSILF Government Securities-Participant Share Class	0.15%	0.25%	0.25%	0.08%	0.73%	0.45%
MS U.S. Government Money Market Trust	0.15%	N/A	0.10%	0.11%	0.36%	0.36%

information.

## **Interest Earned on Float**

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

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

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

Generally, with respect to such assets awaiting investment:

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