

ETF Revenue Sharing, Expense Payments and Data Analytics Fees

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The following information pertains to exchange-traded fund (“ETF”) revenue sharing, expense payments and fees for data analytics.

Revenue Sharing Fees

Please note, ETFs may be actively-managed or passively-managed. In general, actively-managed ETFs seek to outperform a market index or target return whereas passively-managed ETFs seek to track the performance of a market index.

Morgan Stanley intends to charge sponsors of actively-managed ETFs a support fee, also called a revenue sharing payment, on client account holdings in such ETFs based on a tiered rate that increases along with the management fee of the ETF. This means that sponsors of actively-managed ETFs pay lower rates on ETFs with lower management fees than on those with higher management fees. The rate ranges up to a maximum of 0.10% per year (i.e., \$10 per \$10,000 of assets). Revenue sharing fees are not assessed against passively-managed ETFs.

The tiered rates are the same for commission-based brokerage and fee-based advisory client account holdings. However, for advisory accounts there are account type and program exceptions and the fees are rebated to clients. Please see the applicable Morgan Stanley ADV brochure for additional information.

Revenue sharing payments are generally paid out of the ETF’s sponsor or other affiliate’s revenues or profits and not from the ETF’s assets. However, sponsor or affiliate revenues or profits may, in part, be derived from fees earned for services provided to and paid for by the ETF. Morgan Stanley does not receive any portion of these revenue sharing payments through brokerage commissions generated by the ETF.

Although we seek to charge all actively-managed ETF sponsors the recommend those funds whose sponsors have already started making these payments. Our program may also result in fewer actively-managed ETFs from being included on our platform. Moreover, since Morgan Stanley intends to receive revenue sharing fees from actively-managed ETFs, but not passively-managed ETFs, we also have a conflict of interest to promote and recommend actively-managed ETFs as opposed to passively-managed ETFs. In addition, since our revenue sharing rates are higher for actively-managed ETFs with higher management fees, this fact presents a conflict of interest for us to promote and recommend ETFs that have higher

management fees. In order to mitigate these conflicts, Financial Advisors and their Branch Office Managers do not receive additional compensation as a result of revenue sharing payments received by Morgan Stanley. Moreover, for advisory account clients the revenue sharing payments we receive are rebated back to clients.

Expense Payments and Data Analytics Fees

Morgan Stanley provides sponsors of all ETFs sold through Morgan Stanley 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. Representatives for such ETFs may also 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 ETF sponsors or their affiliates reimburse Morgan Stanley for certain expenses incurred in connection with these promotional efforts and as training programs. ETF sponsors independently

decide if and what they will spend on these activities, with some ETF sponsors agreeing to make annual dollar amount expense reimbursement commitments of up to \$300,000, although actual reimbursements may be higher. Some sponsors of ETFs also invite our Financial Advisors to attend events. Expense payments may include meeting or conference facility rental fees and hotel, meal and travel charges.

Morgan Stanley also provides all ETF sponsors with the opportunity to purchase data analytics regarding ETF sales. For ETF sponsors electing to purchase such data, the fee depends on the level of data and ranges up to \$700,000 per year. We generally charge sponsors of passive ETFs a separate transactional data fee ranging up to \$550,000 per year for those sponsors with more than one hundred passively-managed ETFs on our platform. For an additional fee, all ETF sponsors may purchase supplemental data analytics regarding financial product sales at Morgan Stanley.

These facts present a conflict of interest for Morgan Stanley and our Financial

Advisors to the extent they lead us to focus on ETFs from those sponsors that commit significant financial and staffing resources to promotional and educational activities and/or purchase data analytics instead of ETFs from sponsors that do not. In order to mitigate this conflict, Financial Advisors and their Branch Office Managers do not receive additional compensation for recommending ETFs from sponsors that purchase data analytics.

ETF representatives are allowed to provide funding for client/prospect seminars, employee education and training events, an occasional meal and entertainment and gifts. Morgan Stanley'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.

Other Compensation Received From ETFs

Morgan Stanley or its affiliates receive, from certain ETFs, 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 for ETF portfolios. Our affiliate E*Trade also receives revenue sharing and other payments from some of the same ETF sponsors open on our platform. We also receive other compensation from certain ETFs for financial services performed for the benefit of such ETFs. Morgan Stanley prohibits linking the determination of the amount of brokerage commissions and service fees charged to an ETF to the aggregate values of our overall ETF-share sales, client holdings of the ETF or to offset the revenue sharing, expense reimbursement and data analytics fees described above. Financial Advisors and their Branch Office Managers receive no additional compensation as a result of these payments received by Morgan Stanley.

Clients with brokerage accounts will generally pay commissions on the purchase and sale of ETF shares. Clients with advisory accounts do not pay such commissions, but the advisory account fee will be applied to the ETF asset value.

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