

Form ADV Wrap Fee Program Brochure

Morgan Stanley Smith Barney LLC

Alternative Investments Advisory Program

Alternative Investments Advisory-Custom Portfolio Program

Alternative Investments Advisory-Discretionary Manager Services Program

Alternative Investments Advisory-Hedge Fund Portfolio Advisory 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. Registration with the SEC does not imply a certain level of skill or training.

Item 2: Material Changes

This section identifies and discusses material changes to the ADV Brochure since the version of this brochure dated March 31, 2017. For more details on any particular matter, please see the item in this ADV Brochure referred to in the summary below.

The Hedge Fund Portfolio Advisory Program is no longer open to new clients. (Item 4)

On June 29, 2018, the SEC entered into a settlement with MSWM regarding an administrative action. In this matter, MSWM, without admitting or denying the findings, consented to the entry of the order that finds that MSWM willfully violated certain sections of the Investment Advisers Act of 1940, specifically Section 206(4) and Rule 206(4)-7 thereunder, as well as Section 203(e)(6). (Item 9)

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Item 4: Services, Fees and Compensation

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

MSWM is a Fiduciary to You.

In serving as investment adviser to its clients (“client”, “you” and “your”) in these programs, MSWM is a fiduciary to you. We are registered under the Investment Advisers Act of 1940, as amended (the “Advisers Act”) which places a fiduciary obligation on us in terms of the way that we provide services to you.

In addition, 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 (“ERISA”) and/or Section 4975 of the Internal Revenue Code of 1986, as amended (the “Code”), with respect to “Retirement Accounts” (as that term is described herein). 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 or 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”).

MSWM offers clients many different advisory programs. Many of MSWM’s advisory services are provided by its Consulting Group business unit. You may obtain ADV Brochures for other MSWM investment advisory programs at 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.

All clients’ assets that are custodied by us are custodied at MSWM (except for “sweep” assets custodied at the Sweep Banks and, if applicable, the Sweep Fund (as defined in Item 4.C below) pursuant to the Bank Deposit Program). *Please see also Item 4.C (Services, Fees and Compensation -- Additional Fees – Cash Sweeps -- Bank Deposit Program) below, for more information.*

A. General Description of Programs and Services

MSWM administers and oversees the following programs that are described below: Alternative Investments Advisory (“AIA”), Alternative Investments Advisory-Custom Portfolio (“CP”), Alternative Investments Advisory-Discretionary Manager Services (“DMS”), and Alternative Investments Advisory-Hedge

Fund Portfolio Advisory (“HFPA”, together with AIA, CP and DMS, the “Programs”). This section then discusses various general matters applying to these programs. The services provided in these programs are subject to change without notice. You should consult with your Financial Advisor for further details.

Alternative Investments Advisory Program

The AIA program provides consulting and administrative services to qualified clients that seek to invest in certain affiliated and unaffiliated alternative investment vehicles (“Alternative Investments”) that have been approved by MSWM.

Alternative Investments include: (1) MSWM-affiliated and unaffiliated single manager alternative investment vehicles, such as hedge funds and private equity; (2) MSWM-affiliated and unaffiliated investment vehicles, such as fund of funds or managed futures funds, that allocate money to other investment funds and/or investment managers or commodity trading advisors who in turn invest in other alternative investment asset classes; and (3) investments in feeder funds sponsored by MSWM to invest in specific underlying investment vehicles managed by affiliated and unaffiliated investment advisers chosen by MSWM through the HedgePremier program (“HedgePremier”).

After receipt of appropriate information from and about you (which may include your investment objectives, risk tolerance, and investment time horizon), MSWM will identify several Alternative Investments deemed suitable for you from the Alternative Investments available on the Alternatives Approved List (as defined in Changes to Available Alternative Investments, below). You may also consider other Alternative Investments on the Alternatives Approved List, subject to eligibility and minimum investment requirements. For each Alternative Investment that you are considering, you should review the manager’s ADV Part 2, where available, for a discussion on their particular method of analysis and investment strategy.

You will sign a client services agreement with MSWM and separate fund documentation for each Alternative Investment in which you decide to invest (each, a “Selected Investment Product”). You will pay a separate fee to the manager of each Selected Investment Product.

The decision to participate in AIA and invest in any Selected Investment Product is made by you and is your responsibility.

If you wish to continue to participate in a Selected Investment Product that has received a status change to “Terminate”, (i) MSWM shall no longer provide any recommendation or advice regarding such alternative investment and (ii) in certain circumstances, you may be able to retain the Selected Investment Product in a brokerage account. You may ask your financial advisor about these options. In HedgePremier, removal of a Selected Investment Product from the Alternatives Approved List may result in the full liquidation of the

HedgePremier fund's investment in the Selected Investment Product by HedgePremier's program manager.

Changes in Availability of Alternative Investments.

Alternative Investments offered through AIA are subject to change in availability by MSWM. MSWM, directly through its Global Investment Manager Analysis Group, known as "GIMA" (formerly known as Alternative Investments Research or "AIR") or through an affiliated or unaffiliated service provider selected and approved by MSWM, provides due diligence and monitoring services with respect to the Alternative Investments that are available in AIA. MSWM may or may not, in its sole discretion, create and make available a written report of such review. As part of this process, MSWM will, directly or through an affiliated or unaffiliated service provider, periodically monitor the Alternative Investments for purposes of determining whether they should remain on the list of approved funds in which qualified clients may invest (the "Alternatives Approved List"). From time to time, MSWM may decide to add, temporarily suspend, or remove certain Alternative Investments from the Alternatives Approved List by MSWM. The four statuses are "Approved", "Watch", "Redeem" or "Terminate". If MSWM decides to remove an Alternative Investment from the Alternatives Approved List, the Alternative Investment will receive two status changes - first, to "Redeem" and later, to "Terminate" which will impact the services MSWM provides and the fees you may pay on the Alternative Investment:

- ***Redeem:*** If an Alternative Investment's status is changed to "Redeem" or a similar designation, the Alternative Investment will no longer be available for investment through MSWM but MSWM, directly or through an affiliated or unaffiliated service provider selected and approved by MSWM, will continue to perform due diligence and charge you the fee set out in your Client Agreement until the status is changed to "Terminate" or until a date as MSWM might otherwise determine in its sole discretion.
- ***Terminate:*** If an Alternative Investment's status is changed to "Terminate" or a similar designation, unless otherwise agreed in writing between you and MSWM, (A) MSWM will terminate due diligence coverage of the Alternative Investment, (B) as it relates to that Alternative Investment, MSWM will cease acting as your investment adviser and you will stop paying the fee set out in your Client Agreement (although you will continue to pay any underlying management fees to the investment manager of the Alternative Investment for as long as you retain the Alternative Investment), (C) the Alternative Investment will no longer be part of the AIA account and in certain circumstances, may be transferred to a brokerage account, and (D) you will become solely responsible for any decision to remain invested in the Alternative Investment. To the extent you remain invested in the Alternative Investment after the status change to Terminate, MSWM may continue to provide performance reports and account statements to you and you will pay an annual fee of up to 0.25% of your remaining assets in that Alternative Investment that were previously in AIA, payable quarterly in advance, which may be waived or reduced at the sole discretion of MSWM, for

such non-advisory services. MSWM may also retain a non-advisory, ongoing distribution fee directly from the Alternative Investment or the manager of the Alternative Investment (if available).

In HedgePremier, removal of an Alternative Investment from the Alternatives Approved List may result in the full liquidation of the HedgePremier fund's investment in the Alternative Investment by HedgePremier's program manager.

Prior to investing, you should review the offering materials for such illiquid investments, in particular the terms of any restrictions on the premature termination or liquidation of your Selected Investment Product. Your Financial Advisor may also recommend a change of Alternative Investments if, e.g., your investment objectives or market conditions change or if, for some other reason, another Alternative Investment would be more appropriate for you.

The AIA program is non-discretionary and the decision to participate in AIA and the selection of any Selected Investment Product is made by you and is your responsibility. At any time, you may terminate your investment (subject to the restrictions applicable to the Selected Investment Product) by complying with MSWM's procedures and, if you wish, select a new Alternative Investment for your account so that you continue to receive the services available in the program.

The decision to participate in AIA and the selection of any Alternative Investment is made by you and is your responsibility.

Alternative Investments Advisory-Custom Portfolio Program

The CP program offers qualified clients consulting and administrative services from MSWM and access to non-discretionary custom portfolio construction advice from an affiliate of MSWM (the "CP Manager"). In CP, MSWM recommends the CP Manager to you that may provide you advice on a portfolio of Alternative Investments. In CP, MSWM conducts due diligence on the CP Manager, but does not provide investment advice on the Alternative Investments recommended by the CP Manager.

Based on the investment objectives and requirements (including any restrictions) provided by you to MSWM and the CP Manager, the CP Manager will generate an Investment Policy Statement and identify suitable Alternative Investments for your portfolio. The CP Manager will not be limited to the Alternatives Approved List and, therefore, may recommend Alternative Investments that have not received due diligence from MSWM.

You will enter into a Client Agreement with MSWM and a separate investment management agreement with the CP Manager. You may also sign separate fund documentation for each Alternative Investment. You will pay a separate fee to the manager of each Alternative Investment.

The CP Manager may recommend a change of Alternative Investments if, e.g., your investment objectives or market

conditions change or if, for some other reason, another Alternative Investment would be more appropriate for you.

The CP program is non-discretionary and the decision to participate in CP and invest in any Alternative Investment recommended by the CP Manager is made by you and is your responsibility. MSWM will monitor the CP Manager and will notify you if it no longer recommends the CP Manager as an investment adviser to provide non-discretionary portfolio advisory services to clients of MSWM.

Alternative Investments Advisory-Discretionary Manager Services

The DMS program offers qualified clients the discretionary investment management services of an MSWM-affiliated or third party manager in a program where MSWM provides consulting and administrative services. MSWM does not provide investment recommendations in DMS.

DMS is designed to provide ultra-high net worth and institutional clients with a customized portfolio of alternative investments specific to their needs with respect to risk/reward, strategy allocation, geographic exposure, concentration, and leverage. Portfolios will be created and managed by an MSWM affiliate or a third party (the “DMS Manager”) on a fully discretionary basis (as described below under “Investment Process”). In other words, the DMS Manager, and not you, has the discretion to decide what Alternative Investments to buy and sell in your portfolio which may be structured as a fund of one, separately managed account or limited partnership. The DMS Manager will be solely responsible for designing, monitoring, and rebalancing your portfolio as necessary. You should discuss with your DMS Manager which investment strategy suits your investment goals. The DMS Manager will create your portfolio from a selection of hedge funds and may also include hedge funds purchased via secondary transactions, private equity funds and real estate funds. In DMS, MSWM does not due diligence the Alternative Investments in which you may invest. However, MSWM will perform due diligence on and periodically monitor the DMS Manager.

In DMS, you enter into a Client Agreement with MSWM for consulting and administrative services and enter into a separate discretionary investment management agreement with the DMS Manager relating to due diligence, performance reporting, and the management of the assets by the DMS Manager. You will pay a separate fee to the DMS Manager for their services as agreed between you and the DMS Manager.

Investment Process. The DMS Manager manages your DMS account based on the investment guidelines that you and the DMS Manager agree to in your investment management agreement. The DMS Manager is primarily responsible for making and implementing investment management decisions for your account within the investment guidelines. The availability of investment strategies and securities and the applicability of investment limitations may vary among clients. You should consult with your DMS Manager for more information on the DMS Manager’s approach to investing, and available investment strategies.

Alternative Investments Advisory-Hedge Fund Portfolio Advisory Program

The HFPA program offers qualified clients consulting, administrative services and access to non-discretionary custom portfolio construction advice from MSWM (in such capacity, the “HFPA Manager”). HFPA is no longer open to new clients.

The HFPA Manager will recommend Alternative Investments from the Alternatives Approved List based on portfolios developed by an MSWM-affiliate and the HFPA Manager’s assessment of your needs based on the investment objectives and requirements (including any restrictions) provided by you to your Financial Advisor and the HFPA Manager.

The HFPA Manager will monitor your portfolio and may recommend a change, e.g., if your investment objectives or market conditions change or if, for some other reason, the HFPA Manager believes that another Alternative Investment would be more appropriate for you. See also *Changes in Availability of Alternative Investments* in this Section 4.A. under *Alternative Investments Advisory Program*.

You will sign a client services agreement with the HFPA Manager and separate fund documentation for each Selected Investment Product. You will pay separate fees to the manager of each Selected Investment Product.

The HFPA program is non-discretionary and the decision to participate in HFPA and invest in any Alternative Investment is made by you and is your responsibility.

Other

Alternative Investments Performance Reporting Service. MSWM offers performance reporting services, a non-discretionary, non-advisory service, to certain clients. MSWM offers clients the ability to receive periodic reports that provide historical performance reporting of Alternative Investments that were not recommended to them by MSWM, were not purchased through MSWM and that have not been due diligenced by MSWM. MSWM also provides this service to clients for Alternative Investments that were on the Alternatives Approved List that clients decide to retain after MSWM ceased providing due diligence services on the Alternative Investments. The historical performance information provided by this service is based upon information provided, directly or indirectly, to MSBB by the client or the issuer of the Alternative Investment, or by its sponsor, investment manager or administrator (“Performance Reporting AI”). MSWM’s ability to provide historical or other performance reporting on Alternative Investments is dependent upon its ability to obtain such information from each Performance Reporting AI. The performance reporting service enables you to receive from MSWM periodic reports containing your historical performance information as reported by the applicable Performance Reporting AI. You may also receive composite reports that show historical performance of Alternative Investments as reported by the Performance Reporting AI, along with historical or other performance information or other investments that are on the Alternative Investments Approved List. The performance

information provided in a periodic performance report is based on information provided to MSWM by the Performance Reporting AI and is not independently verified by MSWM. MSWM shall not be liable for any misstatement or omission made by a Performance Reporting AI nor for any loss, liability, claim, damage or expense arising out of such misstatement or omission. The reporting service is not intended to constitute investment advice or a recommendation by MSWM of any Alternative Investment and MSWM is not evaluating the appropriateness of the initial investment or the continued investment in the Alternative Investments reported on as a part of this service. In addition, the service does not constitute, create or impose a fee-based brokerage relationship, a fiduciary relationship or an investment advisory relationship under the Advisers Act with regard to the provision of the Alternative Investments covered under this service. MSWM is not responsible for and will not provide tax reporting with respect to any Alternative Investment reported on under this service. MSWM does not maintain custody of Alternative Investments reported on under this service and therefore such investments are not included under MSWM's SIPC coverage. The fee charged to the client in this service does not include any fee or charge for other services in connection with the client's participation in any Alternative Investment. MSWM generally does not provide this particular service to retirement accounts and, under any circumstances where there is an agreement between you and MSWM, MSWM would not be acting as a fiduciary (as defined in ERISA and/or the Code) with respect to the provision of these reporting services as described herein

In addition to the specific services described above, from time to time, Financial Advisors, with the approval of MSWM's management, may provide other services, including specialized investment advisory services on either a discretionary or non-discretionary basis to clients.

Account Opening

To enroll in any program described in this Brochure, you (in consultation with your Financial Advisor) must enter into the respective program's client agreement(s) (the "Client Agreement") with MSWM. For CP, you will also enter into an investment management agreement with the CP Manager. For DMS, you will also enter into an investment management agreement with the DMS Manager. For HFPA, the Client Agreement will reflect the services provided by the HFPA Manager and may be in addition to a Client Agreement that you have with MSWM.

For AIA, the Client Agreement is the Single Advisory Contract (the "Single Advisory Contract"). MSWM has discontinued use of the former AIA client agreement for opening new accounts (but some existing AIA accounts may have been opened using the AIA client agreement). With respect to AIA, the AIA client agreement and the Single Advisory Contract shall be collectively referred to as the Client Agreement.

Except for HFPA, CP and DMS, the Single Advisory Contract governs the terms of your existing and future investment advisory accounts and relationships with Morgan Stanley. The Single Advisory Contract is generally not used for HFPA, CP or DMS.

Investment Restrictions

Your ability to impose restrictions on your investments in the programs is limited. For example, you may restrict MSWM from buying specific securities or a category of securities (e.g., tobacco companies). If you restrict a category of securities, MSWM will determine which specific securities fall within the restricted category. In doing so, we may rely on outside sources (e.g. standard industry codes and research provided by independent service providers). Any restrictions you impose on individual securities will not be applied to the holdings of certain alternative investments where they operate in accordance with the investment objectives and strategies described in their offering materials.

Although we will accept reasonable restrictions as described above, we will not have any obligation to manage your account in accordance with any investment guidelines, policy statements or other documents unless we specifically agree to do so, in writing.

In CP and DMS, any restrictions should be included in your investment guidelines. You should contact your DMS Manager to determine what types of restrictions you may place on your account.

Account Statements and Performance Reviews

We will generally not maintain custody of your Alternative Investments. Alternative Investments will be custodied with such custodians as selected by the manager of the applicable Alternative Investment. Alternative Investments are not included under MSWM's SIPC coverage. However, we will receive and credit to your account all interest, dividends and other distributions we receive on the Alternative Investments in your account and will include reports of your ownership of the Alternative Investments on your account statements.

In AIA, we make Quarterly Performance Reports available to you every quarter. These reviews have tabular reports and graphical displays showing how your account investments have performed, both on an absolute basis and on a relative basis compared to recognized indices (such as Standard & Poor's indices). You may access these reports through MSWM's online account services site. To enroll your account in the online account service site, go to <https://www.morganstanleyclientserv.com> and follow the step-by-step instructions. To access these reports at the online site, please select "Account Documents". If, however, you would like to receive these reports by mail, please call 1-888-454-3965.

In CP, MSWM will provide quarterly reports and the CP Manager will provide periodic reports to you describing the performance of the Selected Investment Products based on portfolio holdings information received from managers of the Selected Investment Products or their agents.

In DMS, your account will be reflected on a monthly statement from MSWM. In addition, the DMS Manager will provide periodic valuations for the DMS account and may provide the performance for the underlying investments, as applicable.

Performance information may be based on a preliminary estimate of an Alternative Investment's performance for the month. The final performance results may be higher or lower than the data reflected in the periodic report provided by MSWM or its affiliate. You are responsible for reviewing performance reports and promptly reporting any discrepancies to MSWM.

Risks

All trading in an 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. We and the managers do not guarantee performance, and a manager's past performance with respect to other accounts does not predict your account's future performance. You should consult with your Financial Advisor, CP Manager, DMS Manager, or HFPA Manager regarding the specific risks associated with the investments in your account.

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

Risks Relating to Alternative Investments. Alternative Investments have different features and risks than other types of investment products. As further described in the offering documents of any particular Alternative Investment, an alternative investments can be highly illiquid, are speculative and not suitable for all investors. For example, alternative investments may place substantial limits on liquidity and the redemption rights of investors, including only permitting withdrawals on a limited periodic basis and with a significant period of notice and may impose early withdrawal fees. Alternative Investments are intended for experienced and sophisticated investors who are willing to bear the high economic risks of the investment. Investors should carefully review and consider potential risks before investing. Certain of these risks may include: loss of all or a substantial portion of the investment due to leveraging, short-selling, or other speculative practices; lack of liquidity, in that there may be no secondary market for the fund and none expected to develop; volatility of returns; restrictions on transferring interests in the Alternative Investment, including only permitting withdrawals on a limited periodic basis upon significant written notice and restricting withdrawals through "gates," "side-pockets," and other mechanisms; potential lack of diversification and resulting higher risk due to concentration of trading authority when a single advisor is utilized; absence of information regarding valuations and pricing; complex tax structures and delays in tax reporting; less regulation and higher fees than mutual funds; advisor risk and indemnities, "clawbacks" or other restrictions that may require the return of capital previously distributed to you or the payment of additional capital. Alternative Investments may also have higher fees (including multiple layers of fees) compared to other types of investments and may charge an asset-based fee as well as incentive fees based on net profits which may create an incentive for a manager to make investments which are riskier or more speculative than those which might have been made in the absence of such an incentive. Alternative Investments are generally not limited in the markets in which they may invest, either by location or type, such as large capitalization, small capitalization or non-U.S.

markets. Individual funds will have specific risks related to their investment programs that vary from fund to fund. For more details on these and other features and risks, please carefully read the documentation (including risk disclosures) relating to any Selected Investment Product, as well as your Client Agreement.

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

Moreover, in some circumstances, money market funds may be forced to cease operations when the value of a fund drops below \$1.00 per share. In that event, the fund's holdings are liquidated and distributed to the fund's shareholders. This liquidation process could take up to one month or more. During that 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 Mutual Funds and ETFs that Pursue Complex or Alternative Investment Strategies or Returns. Although not available through the Programs, you should understand risks relating to mutual funds and ETFs that pursue complex or alternative investment strategies or returns. These mutual funds and ETFs may employ various investment strategies and techniques for both hedging and more speculative purposes such as short selling, leverage, derivatives and options, which can increase volatility and the risk of investment loss. Alternative investment strategies are not suitable for all investors.

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

Non-traditional investment options and strategies are often employed by a portfolio manager to further a fund's or ETF's investment objective and to help offset market risks. However, these features may be complex, making it more difficult to understand the fund's or ETF's essential characteristics and risks, and how it will perform in different market environments and over various periods of time. They may also expose the fund or ETF to increased volatility and unanticipated risks particularly when used in complex combinations and/or accompanied by the use of borrowing or "leverage".

Risks Relating to Differing Classes of Securities. Different classes of securities have different rights as creditor if the issuer files for bankruptcy or reorganization. For example, bondholders' rights generally are more favorable than shareholders' rights in a bankruptcy or reorganization.

For other risks relating to the particular strategy you hold in any Alternative Investment, see the offering materials for your Alternative Investment and, where available, the ADV Part 2 for the manager of the Alternative Investment.

For other risks relating to the particular strategy you hold in your DMS account, see your DMS Manager's ADV Part 2. You can ask your Financial Advisor for a copy.

Risks Relating to Investment in a Concentrated Number of Securities (or in Only One Security) 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 security (or in a small number of sectors or securities) are more vulnerable to price fluctuation than strategies that diversify among a broad range of securities and sectors.

Risks related to Operations. Our operations rely on the secure processing, storage and transmission of confidential and other information in our computer systems and the systems of third parties with which we do business or that facilitate our business activities (e.g., vendors). Like other financial services firms, we and our third party providers have been and continue to be subject to unauthorized access, mishandling or misuse, computer viruses or malware, cyber attacks, denial of service attacks and other events. The increased use of smartphones, tablets and other mobile devices may also heighten these and other operational risks. Events such as these could have a security impact on our systems and jeopardize our or our clients' or counterparties' personal, confidential, proprietary or other information processed and stored in, and transmitted through, our and our third party providers' computer systems. Furthermore, such events could cause interruptions or malfunctions in our, our clients', our counterparties' or third parties' operations, which could result in reputational damage, client dissatisfaction, litigation or regulatory fines or penalties not covered by insurance maintained by us, and adversely affect our business, financial condition or results of operations.

Tax and Legal Considerations

A Financial Advisor may agree with you to implement a client-developed investment strategy that you believe is sensitive to your particular tax situation. Neither we nor any of our affiliates provides tax or legal advice and, therefore, we and they are not be responsible for developing, evaluating or the efficacy of any such tax-sensitive strategy. You need to develop any such strategy in consultation with a qualified tax adviser. Certain tax-sensitive strategies can involve risks. Among others, tax-efficient management services involve an increased risk of loss because your account may not receive the benefit (e.g., realized profit, avoided loss) of securities transactions that would otherwise take place in accordance with the Financial Advisor's investment management decisions for the account. Replacing a manager may result in sales of securities and subject you to additional income tax obligations.

Replacing an Alternative Investment Manager or other Investment Product 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 ADV Brochure, as MSWM and its affiliates do not provide tax or legal advice.

Investments in Alternative Investments entail different risks, including tax risks, than is the case for other types of investments. Investors in Alternative Investments hold "units" of the Alternative Investments (as opposed to a share of corporate stock) and are technically partners in the Alternative Investments. Holders of Alternative Investments may also be exposed to the risk that they will be required to repay amounts to the Alternative Investment that are wrongfully distributed to them. Many Alternative Investments choose 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 Alternative Investment, could result in an Alternative Investment being treated as a corporation for U.S. federal income tax purposes, which would result in such Alternative Investment being required to pay U.S. federal income tax on its taxable income. The classification of an Alternative Investment 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 Alternative Investment and could cause any such distributions received by the an investor to be taxed as dividend income. If you have any questions about the tax aspects of investing into an Alternative Investment, please discuss with your tax advisor.

Investors in Alternative Investments will generally receive a Schedule K-1 for each Alternative Investment, 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 Alternative Investments may be required to file state income tax returns in states where the Alternative Investments operate. Since some Alternative Investments may not be provided until after the due date for the federal or state tax return, investors in Alternative Investments may need to obtain an extension for filing their federal or state tax returns. Please

discuss with your tax advisor how an investment in Alternative Investments will affect your tax return.

Tax laws impacting Alternative Investments may change, and this could impact any tax benefits that may be available through investment in an Alternative Investment.

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

Earnings generated inside most qualified retirement plans, including defined benefit pension plans, defined contribution plans and IRAs, are generally exempt from federal income taxes, however, certain investments made by such retirement plans 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 qualified retirement plan. 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), 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 plan’s custodian or fiduciary (on behalf of the retirement plan) 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 plan’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 plan’s UBTI, potentially limiting the amount of losses that can be used to offset the retirement plan’s income from an unrelated trade or business each year. It should be noted that these rules are applied to publicly traded partnerships, on an entity-by-entity basis, meaning that the passive activity losses generated by one Alternative Investment generally can only be used to offset the passive activity income (including unrelated traded or business income) from the same Alternative Investment. The passive activity losses generated by one Alternative Investments generally cannot be used to offset income from another Alternative Investment (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 Alternative Investment. However, once the

retirement plan disposes of its entire interest in the Alternative Investment to an unrelated party, the suspended losses can generally be used to offset any unrelated trade or business income generated inside the retirement plan (including recapture income generated on the sale of the Alternative Investments, as well as income generated by other Alternative Investments).

In calculating the tax, trust tax rates are applied to the retirement plan’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 plan’s potential tax deductions. In order to file Form 990-T, the retirement plan 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 plan investors (and their fiduciaries) should consult their tax and legal advisors regarding the federal, state, and local income tax implications of their investments.

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

Fees

For our services in the Programs, you pay MSWM an asset-based fee as described in your Client Agreement. In CP, DMS and HFPA, you also pay a fee to the CP Manager, the DMS Manager or the HFPA Manager, respectively. The maximum total annual fee is 2.00%, except for AIA accounts opened on or after April 20, 2015, where the maximum annual fee will be 2.50%.

Alternative Investments also have fees that are paid to the manager of the Alternative Investment. We do not pay the manager of the Alternative Investment any part of the fee that you pay to us. In CP or DMS, at your election, we may pay, on your behalf, the fee owed by you to the CP Manager or the DMS Manager, respectively, for the advisory services they provide to you.

In the Programs, MSWM may allocate a portion of your fee to your Financial Advisor and, if applicable, to an unaffiliated or affiliated due diligence service provider or other service provider. In HFPA, the HFPA Manager will receive up to 0.40% for its portfolio advisory services.

HedgePremier Program Participation Fees. If you make an investment through HedgePremier as a consulting client through AIA, you will also pay an affiliate of MSWM (the “Program Manager”), an ongoing program participation fee (the “Program Participation Fee”), which is distinct from the other fees described in this Brochure. As more fully described in the HedgePremier offering materials, the Program Participation Fee is intended to compensate the Program Manager for certain

administrative, reporting and other services. The Program Manager will receive 0.25% annually for investments less than \$5,000,000, and 0.15% annually for investments in excess of \$5,000,000. The Program Participation Fee payable to the Program Manager is waived for certain retirement accounts. While you remain in AIA, your Financial Advisor will not receive any portion of the Program Participation Fee.

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 or Alternative Investments, 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 Alternative Investments are transferred or journaled into the account, you may not recover the front-end sales charges previously paid and/or may be subject to a redemption or other fee based on the length of time that you have held those securities.

You are required to provide notice to MSWM of any desired contributions or withdrawals (and, for contributions, you will contribute the corresponding funds in cash to the account) at least five (5) business days before any deadlines set for contributions or withdrawals in the offering materials for the Alternative Investment.

If you withdraw from or deposit to the account securities (or assets other than cash are otherwise removed from or added to the billable assets in the account) with a value equal to or greater than \$5,000, the fee for the remainder of the applicable billing period will be adjusted on a pro rata basis to reflect the withdrawal or deposit.

For example, a March 31 redemption processed on April 20 will now generate a withdrawal fee adjustment for the amount of the redemption, and you will be credited a reimbursement after the redemption is processed for that portion of the fee for the full second quarter.

No fee adjustment will be made for withdrawals or deposits of less than \$5,000 during a billing period. No fee adjustment will be made during any billing period for appreciation or depreciation in the value of Account assets during that period. Notwithstanding the foregoing, if you are billed in arrears or pay us by annual fixed dollar amounts, the fee adjustment for deposits or withdrawals greater than \$5,000 does not apply to assets held in your account.

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

Fee for Alternative Investments Performance Reporting. The fees for Alternative Investments Performance Reporting are negotiable and for purposes of calculating the fees for this service, the market value of the alternative investments shall be based on the then currently available market value, estimated or actual, as reported by the Performance Reporting AI and shall be payable in advance. MSWM does not independently verify such information. The fee shall not be charged on committed, but not

yet funded, investments. The fee will be a blended fee, related for billing purposes with your advisory assets held at MSWM and subject to breakpoints. The fee on the first \$250,000 of assets is 0.25%. The fee on the next \$250,000 is 0.20%. The fee on the next \$500,000 of assets is 0.15%. The fee on the next \$1 million of assets is 0.10%. The fee on the next \$3 million of assets is 0.05%. The fee on assets in excess of \$5 million is 0.01%.

Valuation of Account Assets. MSWM does not engage in an independent valuation of your account assets. MSWM will provide periodic account statements to you including the market value of the Alternative Investment based on information received from or on behalf of the manager of the Alternative Investment or another service provider. For CP and DMS, MSWM may receive valuation information from the CP Manager or the DMS Manager. MSWM relies on you to promptly review these account statements and promptly report any discrepancies to MSWM. In providing these account statements, or any other valuation information to you, (i) MSWM relies on the valuation information provided to MSWM by the manager of the Alternative Investments or another service provider, (ii) the valuation information is based on estimates which may be old as of the dates of the account statements, (iii) MSWM's final valuations may be higher or lower than the data reflected in the periodic account statements provided by MSWM and (iv) MSWM is under no obligation to provide notice of, or compensation to, you for any such difference in valuations.

Fees are Negotiable. Fees for the programs described in this Brochure are negotiable based on a number of factors (including the type and size of the account and the range of services we provide).

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

When Fees are Payable. The Fee is payable as described in the Client Agreement and in this ADV Brochure. Generally, the initial Fee is due in full on the date you open your account at MSWM and is based on the market value of the account on that date. The initial Fee payment covers the period from the opening date through the last business day of the next full billing quarter and is prorated accordingly. Thereafter, the Fee is paid quarterly in advance based on the account's market value on the last business day of the previous calendar quarter and is due the following business day. The Client Agreement authorizes MSWM to deduct fees when due from the assets contained in the account.

Breakpoints. Fee rates in the programs 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 with the account asset level.

Accounts Related for Billing Purposes. When two or more investment advisory accounts are related together for billing purposes, you can benefit even more from existing breakpoints. If you have two accounts, the “related” 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 may be related for billing purposes, based on the law and MSWM’s policies and procedures. Even where accounts are eligible to be related under these policies and procedures, they will only be related if this is specifically agreed between you and the Financial Advisor.

ERISA Fee Disclosure for Qualified Retirement Plans. 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 your advisory contract with us (including the Fee table, other exhibits and, as applicable, this document), and then at least annually to the extent that there are changes to any investment-related disclosures for services provided as a fiduciary under ERISA.

B. Comparing Costs

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

In DMS, the primary service that you are purchasing is the DMS Manager’s discretionary management of your portfolio pursuant to certain program guidelines. Cost comparisons are difficult because that particular service is not offered in other programs. Depending on the level of trading and types of securities purchased or sold in your account, if purchased separately, you

may be able to obtain transaction execution at a higher or lower cost at MSWM or elsewhere than the fee in these programs. However, such transactions could not be executed on a discretionary basis in a brokerage account. In addition, MSWM offers other programs where discretionary portfolio management is provided by affiliated or third party investment managers and the fees in those programs may be higher or lower than the fees in these programs.

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

C. Additional Fees

If you open an account in one of the programs described in this Brochure, you will pay us an asset-based fee for our services. The program fees do not cover:

- the costs of investment management fees and other expenses charged by Alternative Investments (see below for more details)
- “mark-ups,” “mark-downs,” and dealer spreads (A) that MSWM or its affiliates may receive when acting as principal in certain transactions where permitted by law or (B) that other broker-dealers may receive when acting as principal in certain transactions effected through MSWM and/or its affiliates acting as agent, which is typically the case for dealer market transactions (e.g., fixed income and over-the-counter equity)
- brokerage commissions or other charges resulting from transactions not effected through MSWM or its affiliates
- MSWM account establishment or maintenance fees for its IRAs and Versatile Investment Plans (“VIP”), which are described in the respective IRA and VIP account and fee documentation (which may change from time to time)
- HedgePremier Program Participation Fees (as described above in Item 4.A. under “HedgePremier Program Participation Fees”)
- servicing fees applicable upon termination of the Client Agreement
- account closing/transfer costs
- processing fees or
- certain other costs or charges that may be imposed by third parties (including, among other things, odd-lot differentials, transfer taxes, foreign custody fees, exchange fees, supplemental transaction fees, regulatory fees and other fees or taxes that may be imposed pursuant to law).

Alternative Investments in Advisory Programs

Investing in Alternative Investments is generally more expensive than certain other investment options offered in other advisory programs. In addition to our fee, you pay the fees and expenses of the Alternative Investments in which your account is invested. Such fees and expenses are charged directly to the pool of assets in which the Alternative Investments invest. These fees and expenses are an additional cost to you and are not included in the

fee amount in your account statements. Each Alternative Investment describes their fees in its offering materials. Current and future expenses may differ from those stated in the offering materials.

You do not pay any sales charges for purchases of Alternative Investments in programs described in this Brochure. However some Alternative Investments may charge, and not waive, a redemption fee on certain transaction activity in accordance with their offering materials.

In addition to the program fee paid by you, MSWM and its affiliates may receive payments from managers of Alternative Investments or their affiliates with respect to Alternative Investments held in the account. Thus, we have a conflict to recommend Alternative Investments over other securities where we do not receive such payments.

Certain Alternative Investments are sponsored or managed by, or receive other services from, MSWM and its affiliates. MSWM or the affiliated sponsor or manager (or other service provider) receive additional investment management fees and other fees. Therefore, MSWM has a conflict to recommend MSWM-affiliated Alternative Investments.

Expense Payments and 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. Fund representatives may also work closely with our branch offices and Financial Advisors to develop business strategies and plan promotional events for clients and prospective clients and educational activities. Fund families or their affiliates make payments to MSWM in connection with these promotional efforts to reimburse MSWM for expenses incurred for sales events and training programs as well as client seminars, conferences and meetings. Although, fund families independently decide if and what they will spend on these activities, some fund families agree to make annual dollar amount expense reimbursement commitments of up to \$350,000. Fund families may also invite our Financial Advisors to attend fund family-sponsored events. Expense payments may include meeting or conference facility rental fees and hotel, meal and travel charges.

MSWM also provides fund families with the opportunity to purchase supplemental sales data analytics. The amount of the fees depends on the level of data and the purchase of data analytics on other financial products. The current cost of the data package is up to \$50,000 per year for the most comprehensive alternative investments sales data package. For an additional fee, fund families may purchase data analytics on other financial product sales at MSWM.

These facts present a conflict of interest for MSWM and our Financial Advisors to the extent they lead us to focus on Alternative Investments or advisory services offered by those fund families that commit significant financial and staffing resources to promotional and educational activities instead of on Alternative Investments and advisory services from fund families that do not purchase sales data analytics or commit similar resources to these activities. In order to mitigate this

conflict, Financial Advisors and their Branch Office Managers do not receive additional compensation for recommending Alternative Investments managed by or advisory services sponsored by fund families as a direct result of a fund family's purchase of data analytics and/or the provision of significant sales and training support.

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.

Cash Sweeps

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

It is important to note that free credit balances and allocations to cash including assets invested in Sweep Investments may be included in your account's fee calculation hereunder.

You acknowledge that MSWM may with 30 days written notice (i) make changes to these sweep terms; (ii) make changes to the terms and conditions of any available sweep investment; (iii) change, add or delete the products available as a sweep option; (iv) transfer your sweep investment from one sweep product to another.

Clients that are considered Retirement Plans or are Coverdell Education Savings Accounts should read the Exhibit to this Brochure ("Affiliated Money Market Funds Fee Disclosure Statement and Float Disclosure Statement").

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

For eligibility criteria and more information on Cash Sweeps in general, please refer to the Bank Deposit Program Disclosure Statement which is available at: http://www.morganstanley.com/wealth-investmentstrategies/pdf/BDP_disclosure.pdf

Conflicts of Interest Regarding Sweep Investments.

If BDP is your sweep investment, you should be aware that the Sweep Banks, which are affiliates of MSWM, will pay MSWM an annual account-based flat fee for the services performed by

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

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

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

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

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

D. Compensation to Financial Advisors

If you invest in one of the programs described in this Brochure, a portion of the fees payable to us in connection with your account is allocated on an ongoing basis to your Financial Advisor. The amount allocated to your Financial Advisor in connection with accounts opened in programs described in this Brochure may be more than if you participated in other MSWM investment advisory programs, or if you paid separately for investment advice, brokerage and other services. The compensation we pay Financial Advisors with respect to program accounts may be higher than the compensation we pay Financial Advisors with respect to transaction-based brokerage accounts. Your Financial Advisor may therefore have a financial incentive to recommend one of the programs in this Brochure instead of other MSWM programs or services.

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

Item 5: Account Requirements and Types of Clients

AIA does not have minimum account size requirements. HFPA has a minimum account size of \$5,000,000. The CP and DMS programs have a minimum account size of \$25,000,000, subject to exception approval by the CP Manager or the DMS Manager, respectively.

Minimum account sizes apply for each Alternative Investment in a program and generally range from \$10,000 to \$5,000,000 or higher.

MSWM's 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.

To invest in alternative investment vehicles in the programs described, you must meet certain eligibility and investment minimums imposed by MSWM. You also may be subject to additional investor criteria, such as "accredited investor" under Regulation D of the Securities Act of 1933, as amended, and "qualified purchaser" under the Investment Company Act of 1940, as amended.

Item 6: Portfolio Manager Selection and Evaluation

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

In AIA and HFPA, we offer a wide range of investment managers that we have selected and approved. Item 4.A above describes the basis on which we recommend Alternative Investments to particular clients. This Item 6.A describes more generally how we approve, downgrade and terminate managers of Alternative Investments from AIA and HFPA. Managers may only participate in the AIA and HFPA programs if they are on MSWM's Alternatives Approved List (described below). Managers often offer more than one Alternative Investment and we may include only some of those Alternative Investments (or only certain share classes of such Alternative Investment) in our programs, may carry different Alternative Investments (or share classes) in different programs, and assign different statuses to different Alternative Investments.

As well as requiring Alternative Investments to be on the Alternatives Approved List or Approved List, we may look at other factors in determining which Alternative Investments we offer in these programs, including program needs (such as whether we have a sufficient number of managers available in an asset class), client demand and the manager or Alternative Investment's minimum account size.

In CP and DMS, the CP Manager and the DMS Manager, respectively, is exclusively responsible for the selection of managers for your portfolio as well as the review, approval, and monitoring of such Alternative Investments. Although MSWM has no involvement in the selection or review of the Alternative Investments, MSWM periodically conducts reviews of the CP Manager and the DMS Manager to confirm the suitability of the CP Manager, as a non-discretionary investment manager, or the DMS Manager, as a discretionary investment manager, to clients of MSWM.

Selection of Alternative Investments

In AIA and HFPA, investment and business risk due diligence on Alternative Investments is provided by MSWM through (i) GIMA, (ii) an affiliate of MSWM that may provide due diligence and monitoring services, or (iii) an independent consulting firm or other organization retained by MSWM (each, a "Due Diligence Service Provider") that is also in the business of evaluating the capabilities of alternative investments. Any individuals or firm providing due diligence is expected to follow a methodology similar to that used by GIMA (described below), or a methodology approved by an MSWM alternative investments product review committee ("PRC"), in reviewing such alternative investments. In limited instances, select Financial Advisor teams may take on certain due diligence or monitoring obligations.

On an ongoing basis, the Due Diligence Provider conducts both quantitative and qualitative research on potential candidates. Their research includes, among other things, a review of relevant documents, calls and meetings with the investment team, and an

analysis of investment performance. Generally, although the process may be modified for a particular manager or Alternative Investment as the Due Diligence Provider may deem appropriate, the Due Diligence Provider will typically also conduct on-site visits, review a separate business risk due diligence questionnaire and examine areas such as portfolio pricing, contingency planning, background checks on key principals and other items. Their due diligence covers the Alternative Investment in question, not the investments in which that Alternative Investment may in turn invest. For example, for a fund of funds, GIMA's research process is applied to the fund of funds, and not to each individual fund in which the fund of funds invests. Also, when evaluating portfolio managers that may be recommended to clients to provide portfolio services, the due diligence typically covers the portfolio manager, not the investments which that portfolio manager may recommend.

If a new Alternative Investment is viewed as an appropriate candidate by the Due Diligence Provider, the vehicle is presented to the PRC. The PRC consists of senior MSWM representatives who are mandated to approve proposed candidates and reconfirm existing vehicles on a periodic basis. Once a new Alternative Investment is approved by the PRC, and all required due diligence materials are verified, it receives an "Approved" status, is placed on the Alternatives Approved List, a list of alternative investment vehicles in which qualified clients may invest, and is available for allocations to qualified clients on a placement and/or advisory basis. Certain Alternatives Investments on the Alternatives Approved List are available to qualified clients in the AIA and HFPA.

Ongoing monitoring of managers and investment vehicles on the Alternatives Approved List is provided by the Due Diligence Provider or the firm which provided the original due diligence. In addition to manager-specific monitoring, the reviewer monitors overall market conditions in their specific strategies of expertise.

MSWM may remove Alternative Investments from the AIA and HFPA programs if GIMA or the Due Diligence Provider responsible for coverage of the Alternative Investment downgrades the Alternative Investment to "Terminate". We may also terminate managers from these programs for other reasons (e.g., the manager has a low level of assets under management in the program, the manager has limited capacity for further investment, or the manager is not complying with our policies and procedures). Also, GIMA's head of research can remove an alternative investment vehicle from the Alternatives Approved List without consulting the PRC, but the PRC will be notified of all such actions and have the right to call for an assessment of the decision. For more information on status changes and impacts on your account, see Item 4.A.

Evaluation of Material Changes to Managers or Investment Products. If GIMA learns of a material change to a CP Manager, a DMS Manager, or a Selected Investment Product (e.g., the departure of the manager of a Selected Investment Product or a team of professionals), MSWM or a Due Diligence Service Provider will evaluate the CP Manager, DMS Manager or the Selected Investment Product in light of the change. This evaluation may take some time to complete. While this evaluation is being performed, the CP Manager, DMS Manager,

or Selected Investment Product may remain eligible for investment. The GIMA designation for the CP Manager, DMS Manager or the Selected Investment Product will generally not be altered solely because this evaluation is in progress. MSWM will not necessarily notify clients of any such evaluation.

Watch Policy

MSWM has a “Watch” policy for Alternative Investments available for investment. Watch status indicates that, in reviewing an Alternative Investment, GIMA or the Due Diligence Provider has identified specific areas related to the Alternative Investment, the manager of the Alternative Investment, or the markets in general that (i) merit further evaluation by GIMA or the Due Diligence Provider and (ii) may, but are not certain to, result in the permanent removal of the Alternative Investment from the Alternatives Approved List. Putting an Alternative Investment on Watch status is not a guarantee that GIMA will remove the Alternative Investment from the Approved List. The duration of a Watch status depends on how long GIMA needs to evaluate the reason for the status change, which may include, among things, an evaluation of the markets, the Alternative Investment, and the manager of the Alternative Investment. GIMA may designate the Alternative Investment as Redeem status or otherwise change the status based on their evaluation of facts and circumstances.

Focus List for Single Manager Hedge Funds and Fund of Hedge Funds

In addition to the Alternatives Approved List, GIMA uses another method to classify single manager hedge funds and fund of hedge fund investment products that are available in applicable advisory programs.

Although all single manager hedge funds and fund of hedge funds available to MSWM clients meet GIMA’s investment and operational standards for inclusion on the platform and have been approved for distribution by the PRC, “Focus List” funds are single manager hedge funds and fund of hedge funds that GIMA believes may currently possess a competitive edge with regards to performance or capital preservation over a portion of, or full market cycle. Factors taken into consideration can include, but are not limited to, the strength of the investment team, portfolio construction, and risk management. GIMA’s views reflect its understanding of the firm as well as the single manager hedge fund or fund of hedge fund, and may change at any time. Alternative Investments may move from the Focus List to the Alternative Approved List, or vice versa. As part of its evaluation, GIMA may elect to put a Focus List or Alternative Approved List Alternative Investment on Watch, as described above under “Watch Policy” or may decide to otherwise change the status as described in Item 4.A. under “Changes in Availability of Alternative Investments”.

Other Relationships with Managers and Alternative Investments. Some CP Managers, DMS Managers and Alternative Investments or their respective affiliates on the Approved List may have business relationships with us or our affiliates. For example, an Alternative Investment may use Morgan Stanley & Co. LLC (“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 nor lack of a

business relationship in determining whether to include or maintain an Alternative Investment, a CP Manager, or a DMS Manager on the Approved List.

Calculating Portfolio Managers’ Performance

We do not calculate composite manager performance in the programs. Neither MSWM nor a third party reviews performance information to determine or verify its accuracy or its compliance with presentation standards and therefore performance information may not be calculated on a uniform or consistent basis. Generally, the manager of the Alternative Investment determines the standards used to calculate performance data.

Valuations. Valuations used for account statement purposes and billing purposes, and for any performance reports, are obtained from or on behalf of the manager of each Selected Investment Product. These valuations (and any corresponding benchmark index values) may be estimates, may be old as of the date MSWM produces your account statements/reports and calculates your fees and, in the case of index values, may be based on information from multiple sources. The final performance figures for the applicable period may be higher or lower, and MSWM is under no obligation to provide notice of, or compensation to, clients for any difference in performance. Accordingly, your fees paid to MSWM may be based on valuation estimates or valuations that may be time delayed. MSWM is under no obligation to retroactively adjust the fees paid by clients on such valuations.

If you invest in a fund of funds, your account documents may use the HFRI Fund of Funds Composite Index (“FoF Index”) as a benchmark. The FoF Index consists of over 800 domestic and offshore funds of hedge funds that have at least \$50 million under management or have been actively trading for at least 12 months. It is equally weighted on a fund by fund basis and fund assets are reported in USD on a net of fees basis. It is updated three times a month and the current month’s and the prior three months’ values are subject to change. MSWM is not obligated to notify you of any such changes. The FoF Index values are likely to be more up-to-date than the data for the Selected Investment Products for which it is the benchmark. You cannot invest in the FoF Index. For more information see <https://www.hedgefundresearch.com>.

B. Conflicts of Interest

Conflicts of Interest – Affiliate Acting as Portfolio Manager

In AIA and HFPA, an affiliate of MSWM may act as the manager for one or more of your Alternative Investments. Where this occurs, we or our affiliates earn more money in your account from your investments in such investments than from other investment options. MSWM and the Financial Advisor are also likely to earn more compensation if you invest in a program described in this Brochure than if you open a brokerage account to buy individual securities. Also, in CP and DMS, the CP Manager or DMS Manager may be an affiliate of MSWM.

These relationships create a conflict of interest for us or our affiliates as there is a financial incentive to recommend the investments. We address this conflict of interest by disclosing it to you and by requiring Financial Advisors' supervisors to review your account at account-opening to ensure that it is suitable for you in light of matters such as your investment objectives and financial circumstances.

Item 6.A. describes the selection and review process for all managers of Alternative Investments that are available through these programs.

Other Conflicts of Interest

MSWM has various other conflicts of interests relating to the programs described in this Brochure.

Advisory vs. Brokerage Accounts. MSWM and your Financial Advisor are likely to 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 may not receive all the benefits of the programs described in this Brochure). Financial Advisors and MSWM therefore have 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 requiring Financial Advisors' supervisors to review your account at account-opening to ensure that it is suitable for you in light of matters such as your investment objectives and financial circumstances.

MSWM as Solicitor. MSWM enters into agreements with investment advisers that are DMS Managers pursuant to which MSWM will agree to introduce clients to the adviser to provide the same portfolio advisory services offered through DMS. Under these "solicitation" relationships, MSWM will receive compensation from the DMS Manager for the referral. Clients that are investing on an advisory basis through DMS may pay higher fees than if they had been made through a solicitation relationship with a DMS Manager.

MSWM as Placement Agent. MSWM also acts as placement agent for certain Alternative Investments that are available through MSWM on a non-advisory basis. When an Alternative Investment is purchased on a placement basis, different terms and conditions, including different fee arrangements, may apply. For example, when a client invests through HedgePremier on a placement basis, they do not pay an ongoing advisory fee; however, they pay an upfront placement fee and the Program Manager receives a higher Program Participation Fee which is shared with MSWM and its Financial Advisors. A client investing on an advisory basis may pay higher fees, in the aggregate, than if such investment had been made on a placement basis.

Oversubscription Policy. From time to time, MSWM may have limited access to opportunities to place clients in, or recommend client to, Alternative Investments, particularly in the case of certain private equity and real estate opportunities. Under these circumstances, when MSWM aggregate MSWM client subscriptions for an Alternative Investment exceeds the capacity given to MSWM by the Alternative Investment Manager, the Alternative Investment will be oversubscribed. Where an

Alternative Investment is oversubscribed, MSWM will reduce MSWM employee orders in the first instance as a general matter which may result in MSWM reducing an employee's commitment to the oversubscribed Alternative Investment to zero. If the Alternative Investment remains oversubscribed after a reduction in employee orders, MSWM will reduce client orders on a pro rata basis to address the oversubscription of the Alternative Investment until MSWM capacity is met. MSWM is not required to allot or prioritize a client for any additional capacity that may become available following the client's subscription for your reduced amount in such Alternative Investment. MSWM may change its policy to ensure that the process, as it relates to its advisory clients, remains fair, equitable and consistent with its fiduciary duty to such clients.

Payments from Managers of Alternative Investments.

Managers of Alternative Investments offered in the programs described in this Brochure may agree to pay us the types of payments described above in Item 4.C. We have a conflict of interest in offering Alternative Investments because we or our affiliates earn more money in your account from your investments in Alternative Investments than from other investment options. However, in cases where we receive a portion of the management fee paid by you to a manager of an Alternative Investment and we charge a program fee under the programs in this Brochure, we credit such fee to your account. Also, we do not share this money with your Financial Advisor (i.e. the compensation we pay to your Financial Advisor is not affected by the payments we receive from the Alternative Investments). Therefore, your Financial Advisor does not have a resulting incentive to buy Alternative Investments in your account, or to buy certain Alternative Investments rather than other Alternative Investments in any of the programs in this Brochure. Also, please see Item 4.C above (*Additional Fees – Alternatives in Advisory Programs – Expense Payments and Data Analytics*) for more information.

Investment 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 all of the event. Investment managers may sponsor educational meetings or seminars in which clients as well as Financial Advisors are invited to participate.

Investment 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 of Alternative Investments" section do not relate to any particular transactions or investment made by MSWM clients with investment managers. Investment managers participating in the program 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.

Affiliate Acting as Portfolio Manager. Where permitted by law, and except for plan accounts, an affiliate of MSWM may have been selected to act as the manager for one or more your

investments. Where this occurs, we or our affiliates earn more money than from other investment options. MSWM and the Financial Advisor are also likely to earn more compensation if you invest in a program described in this Brochure than if you open a brokerage account to buy individual securities.

Employees investing in Affiliated Alternative Investment Vehicles. Employees of MSWM and/or its affiliate may invest directly or indirectly in Alternative Investments managed by or sponsored by an affiliate of MSWM and may pay a reduced management fee or may not be subject to carried interest.

Due Diligence Service Providers. MSWM retains various service providers to provide MSWM due diligence services on Alternative Investments that MSWM makes available to its clients. MSWM conducts an initial and ongoing review of each provider to affirm their ability to deliver due diligence services to MSWM. These providers receive compensation which may vary in amount from MSWM for these services. Morgan Stanley AIP GP LP (“AIP”), an affiliate of MSWM, is one of the service providers retained by MSWM. As a result of this arrangement, MSWM may pay AIP more than it pays unaffiliated service providers for similar services. This arrangement between MSWM and AIP may create conflicts because AIP may be incentivized to diligence one Alternative Investment over another or continue to recommend an Alternative Investment based on the sales of the manager of the Alternative Investment. MSWM mitigates these conflicts by subjecting AIP to similar due diligence standards as MSWM’s unaffiliated providers. In addition, most Alternative Investments that receive due diligence services are periodically revalidated through a MSWM product review committee. Also, MSWM clients do not pay the service fees directly. Instead, MSWM includes these fees as part of the costs associated with the programs.

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, the investment 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/or 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 account and for client accounts – may be detrimental to securities held by a client and thus create a conflict of interest. We address this conflict by disclosing it to you.

Services Provided to Other Clients. MSWM, its affiliates, investment managers and their affiliates provide a variety of services (including research, brokerage, asset management, trading, lending and investment banking services) for each other

and for various clients, including issuers of securities that MSWM may recommend for purchase or sale by clients or are otherwise held in client accounts, and investment management firms in the programs described in this Brochure. MSWM, its affiliates, investment managers and their affiliates receive compensation and fees in connection with these services. MSWM believes that the nature and range of clients to which such services are rendered is such that it would be inadvisable to exclude categorically all of these companies from an account. Accordingly, it is likely that securities in an account will include some of the securities of companies for which MSWM, its affiliates, investment managers and their affiliates or an affiliate performs investment banking or other services.

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

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

MSWM, investment 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.

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

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

its customers' orders, it is contemplated that MSWM will route certain customer order flow to its affiliates. Currently, MSWM and/or its affiliates own equity interests (or interests convertible into equity) in certain Trading Systems or their parent companies, including BIDS Holdings LP and BIDS Holdings GP LLC (commonly known as "BIDS"); CHX Holdings Inc.; CHI-X Global Holdings LLC; National Stock Exchange of India; Miami International Holdings Inc.; Equilend; Euroclear PLC; LCH.Clearnet Group Ltd.; Turquoise Global Holdings Ltd.; CJSC The Moscow Interbank Currency Exchange Settlement House; ICE US Holding Company, LP; MuniCenter – The Debt Center, LLC; OTCDeriv Limited; TradeWeb Markets LLC; TIFFE – Tokyo Financial Futures Exchange; ERIS Exchange Holdings LLC; iSWAP Limited; EOS Precious Metals Limited; CreditDeiv Limited; FXGLOBALCLEAR; CME/CBOT/NYMEX; Dubai Mercantile Exchange; Intercontinental Exchange; Tokyo Commodities Exchange; Bombay Stock Exchange; Japan Securities Depository Center Inc.; and Japan Securities Clearing Corporation.

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

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

Certain Trading Systems through which MSWM, and/or MS&Co. may directly or indirectly effect client trades execute transactions on a "blind" basis, so that a party to a transaction does not know the identity of the counterparty to the transaction. It is possible that an order for a client account that is executed through such a Trading System could be automatically matched with a counterparty that is (i) another investment advisory or brokerage client of MSWM or one of its affiliates or (ii) MSWM or one of its affiliates acting for its own proprietary accounts.

MSWM Affiliate in Underwriting Syndicate; Other Relationships with Security Issuers. If an affiliate of MSWM is a member of the underwriting syndicate from which a security is purchased, we or our affiliates may directly or indirectly benefit from such purchase.

MSWM and/or its affiliates have a variety of relationships with, and provide a variety of services to, issuers of securities recommended for client accounts, including investment banking, corporate advisory, underwriting, consulting, and brokerage relationships. As a result of these relationships with an issuer, MSWM or its affiliates may directly or indirectly benefit from a client's purchase or sale of a security of the issuer. For example, MSWM or its affiliates may provide hedging services for compensation to issuers of structured investments (such as structured notes) recommended for client accounts. In such a case, MSWM or its affiliates could benefit if a client account

purchased such an instrument, or sold such an instrument to another purchaser in lieu of selling or redeeming the instrument back to the issuer, as such transactions could result in the issuer of the instrument continuing to pay MSWM or its affiliates fees or other compensation for the hedging services related to such instrument. Similarly, if the hedging service with respect to such an instrument is not profitable for MSWM or its affiliates, MSWM or its affiliates may benefit if MSWM's client accounts holding such instruments sold or redeemed them back to the issuer. We address these conflicts by disclosing them to you

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

Investments in Sweep Investments or Alternative Investments.

The above-described Bank Deposit Program revenue and fees for money market funds and other payments create a potential for a conflict of interest to the extent that the additional payments could influence MSWM to recommend or select an Alternative Investment instead of an investment through a separate account. Please note that the Financial Advisor does not receive any of the Bank Deposit Program revenue or fees from money market funds described herein.

Nonpublic Information. In the course of investment banking or other activities, MSWM, the Alternative Investments, 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 which may for the account. You acknowledge and agree that MSWM, the Investment Products, 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.

Item 7: Client Information Provided to Portfolio Managers

In AIA and HFPA, we may send various information about you and your account to the manager of your Selected Investment Product (including your name, whether or not your account is taxable, state/country of residence, your Investor Profile and restrictions). If you are an individual, we may provide further information about you and your financial situation (which may include your contact details, social security number, date of birth, citizenship, occupation, net worth and income).

In CP and DMS, we send various information about you and your account to the CP Manager or DMS Manager (including your name, whether or not your account is taxable, state/country of residence, your Investor Profile and restrictions). If you are an individual, we provide further information about you and your financial situation (which may include your contact details, social security number, date of birth, citizenship, occupation, net worth and income). We may provide updated information to the manager when needed for the manager to manage your

account (e.g. changes in restrictions on the securities, or categories of securities, that your account can hold).

In CP and DMS, the CP Manager and DMS Manager, respectively, also requests information directly from you, and any updates it requires from time to time. Your Financial Advisor may help you forward information in response to requests.

Item 8: Client Contact with Portfolio Managers

We do not restrict you from contacting and consulting with the managers of your Selected Investment Products.

In CP and DMS, you have a direct contractual relationship with the CP Manager or DMS Manager, and so may contact them to determine the consultation you wish to have with that manager.

Item 9: Additional Information

Disciplinary Information

This section contains information on certain legal and disciplinary events.

In this section, “MSDW” means Morgan Stanley DW Inc., a predecessor broker-dealer of MS&Co. and registered investment adviser that was merged into MS&Co. in April 2007. MS&Co. and CGM are predecessor broker-dealer and investment adviser firms of MSWM. “Citi” means Citigroup Inc., a former indirect part owner of MSWM.

- On August 13, 2008, MS&Co. agreed on the general terms of a settlement with the NYAG and the Office of the Illinois Secretary of State, Securities Department (“Illinois”) (on behalf of a task force of the North American Securities Administrators Association (“NASAA”)) with respect to the sale of auction rate securities (“ARS”). MS&Co. agreed, among other things, to repurchase at par approximately \$4.5 billion of illiquid ARS held by certain clients of MS&Co. which were purchased prior to February 13, 2008. Additionally, MS&Co. agreed to pay a total fine of \$35 million. Final agreements were entered into with the NYAG on June 2, 2009 and with Illinois on September 17, 2009. The Illinois agreement serves as the template for agreements with other NASAA jurisdictions.
- On March 25, 2009, MS&Co. entered into a LAWC with FINRA. FINRA found that, from 1998 through 2003, MSDW failed to reasonably supervise the activities of two Financial Advisors in one of its branches. FINRA found that these Financial Advisors solicited brokerage and investment advisory business from retirees and potential retirees of certain large companies by promoting unrealistic investment returns and failing to disclose material information. FINRA also held that MS&Co. failed to ensure that the securities and accounts recommended for the retirees were properly reviewed for appropriate risk disclosure, suitability and other concerns. MS&Co. consented, without admitting or denying

the findings, to a censure, a fine of \$3 million, and restitution of approximately \$2.4 million plus interest to 90 former clients of the Financial Advisors.

- On June 8, 2016, the SEC entered into a settlement order with MSWM (“June 8 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 8 Order, the SEC considered the remedial efforts promptly undertaken by MSWM and MSWM’s cooperation afforded to the SEC Staff. MSWM consented, without admitting or denying the findings, to a censure, to cease and desist from committing or causing future violations, and to pay a civil penalty of \$1,000,000.
- On January 13, 2017, the SEC entered into a settlement order with MSWM (“January 2017 Order”) settling an administrative action. The SEC found that from 2009 through 2015, MSWM inadvertently charged advisory fees in excess of what had been disclosed to, and agreed to by, its legacy CGM clients, and, from 2002 to 2009 and from 2009 to 2016, MS&Co. and MSWM, respectively, inadvertently charged fees in excess of what was disclosed to and agreed to by their clients. The SEC also found that MSWM failed to comply with requirements regarding annual surprise custody examinations for the years 2011 and 2012, did not maintain certain client contracts, and failed to adopt and implement written compliance policies and procedures reasonably designed to prevent violations of the Advisers Act. The SEC found that, in relation to the foregoing, MSWM willfully violated certain sections of the Advisers Act. In determining to accept the offer resulting in the January 2017 Order, the SEC considered the remedial efforts promptly undertaken by MSWM. MSWM consented, without admitting or denying the findings, to a censure, to cease and desist from committing or causing future violations, to certain undertakings related to fee billing, books and records and client notices and to pay a civil penalty of \$13,000,000.
- On February 14, 2017, the SEC entered into a settlement order with MSWM settling an administrative action. The SEC found that from March 2010 through July 2015, MSWM solicited approximately 600 non-discretionary advisory accounts to purchase one or more of eight single inverse exchange traded funds (“SIETFs”), without fully complying with its internal written compliance policies and procedures related to these SIETFs, which among other things required that clients execute a disclosure notice, describing the SIETF’s features and risks, prior to purchasing them, for MSWM to maintain the notice, and for subsequent related reviews to be performed. The SEC found that, despite being aware of deficiencies with its compliance and

documentation of the policy requirements, MSWM did not conduct a comprehensive analysis to identify and correct past failures where the disclosure notices may not have been obtained and to prevent future violations from occurring. The SEC found that, in relation to the foregoing, MSWM willfully violated section 206(4) of the Investment Advisers Act of 1940 and Rule 206(4)-7 thereunder. MSWM admitted to certain facts and consented to a censure, to cease and desist from committing or causing future violations, and to pay a civil penalty of \$8,000,000.

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

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

Other Financial Industry Activities and Affiliations

Morgan Stanley 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. Prior to June 28, 2013, MSWM was owned by a joint venture company which was indirectly owned 65% by Morgan Stanley Parent and 35% by Citi. On June 28, 2013, Morgan Stanley Parent purchased Citi’s 35% interest in MSWM. Accordingly, MSWM is now a wholly owned indirect subsidiary of Morgan Stanley Parent.

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

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

Broker-Dealer, Commodity Pool Operator, or Commodity Trading Adviser Registration Status. As well as being a registered investment adviser, MSWM is registered as a broker-dealer. MSWM has related persons that are commodity pool operators (Ceres Managed Futures LLC, Morgan Stanley AIP GP LP, Morgan Stanley Investment Management Inc., Morgan Stanley Cayman Ltd., Morgan Stanley AIP Cayman GP Ltd., Morgan Stanley Alternative Investment Partners LP, Morgan Stanley AI GP LLC, and Morgan Stanley Strategies LLC) and commodity trading advisers (Ceres Managed Futures LLC, Morgan Stanley AIP GP LP, and Morgan Stanley Investment Management Inc.). For a full listing of affiliated investment advisers, please see the ADV Part I.

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

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

These restrictions may adversely impact client account performance.

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

Morgan Stanley AIP GP LP (AIP), an affiliate of MSWM, provides due diligence services to MSWM on Alternative Investments and may also serve as a CP Manager or DMS Manager to clients in CP and DMS.

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

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

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

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

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

Code of Ethics

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

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

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

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

Reviewing Accounts

At account opening, your Financial Advisor must ensure that, and the Financial Advisor’s Branch Manager confirms that, the account and the investment style are suitable investments for you.

Your Financial Advisor is then responsible for reviewing your account on an ongoing basis. Your Financial Advisor may recommend changes to your portfolio at any time according to market conditions. Your Financial Advisor will ask you at least annually if your investment objectives have changed. If your objectives change, your Financial Advisor will modify your portfolio to be suitable for your needs.

See Item 4.A above for a discussion of account statements, and Quarterly Performance Reports.

Client Referrals and Other Compensation

See “Payments from Managers of Alternative Investments” and “Payments from Managers” in Item 6.B above.

MSWM may compensate affiliated and unrelated third parties for client referrals in accordance with Rule 206(4)-3 of the Advisers Act. If the client invests in an investment advisory program, the compensation paid to any such entity will typically consist of an ongoing cash payment stated as a percentage of MSWM’s advisory fee or a one-time flat fee, but may include cash payments determined in other ways.

Financial Information

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

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

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

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

Sweep Vehicles in Retirement Accounts

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

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

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

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

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

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

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

The fund expense information below is the most recent information available to us as of January 31, 2017, and is subject to change. Please refer to the funds' current prospectuses, statements of additional information and annual reports for more information.

Fund	Advisory Fee	Distribution and Service Fees	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%	0.50%	0.06%	0.71%	0.70%
MS Active Assets Government Trust	0.10%	None	0.06%	0.16%	0.15%
MS U.S. Government Money Market Trust	0.38%	0.10%	0.11%	0.59%	0.16%

Interest Earned on Float

If MSWM is the custodian of your account, MSWM may retain as compensation, for providing services, the account's proportionate share of any interest earned on cash balances held by MSSB (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.