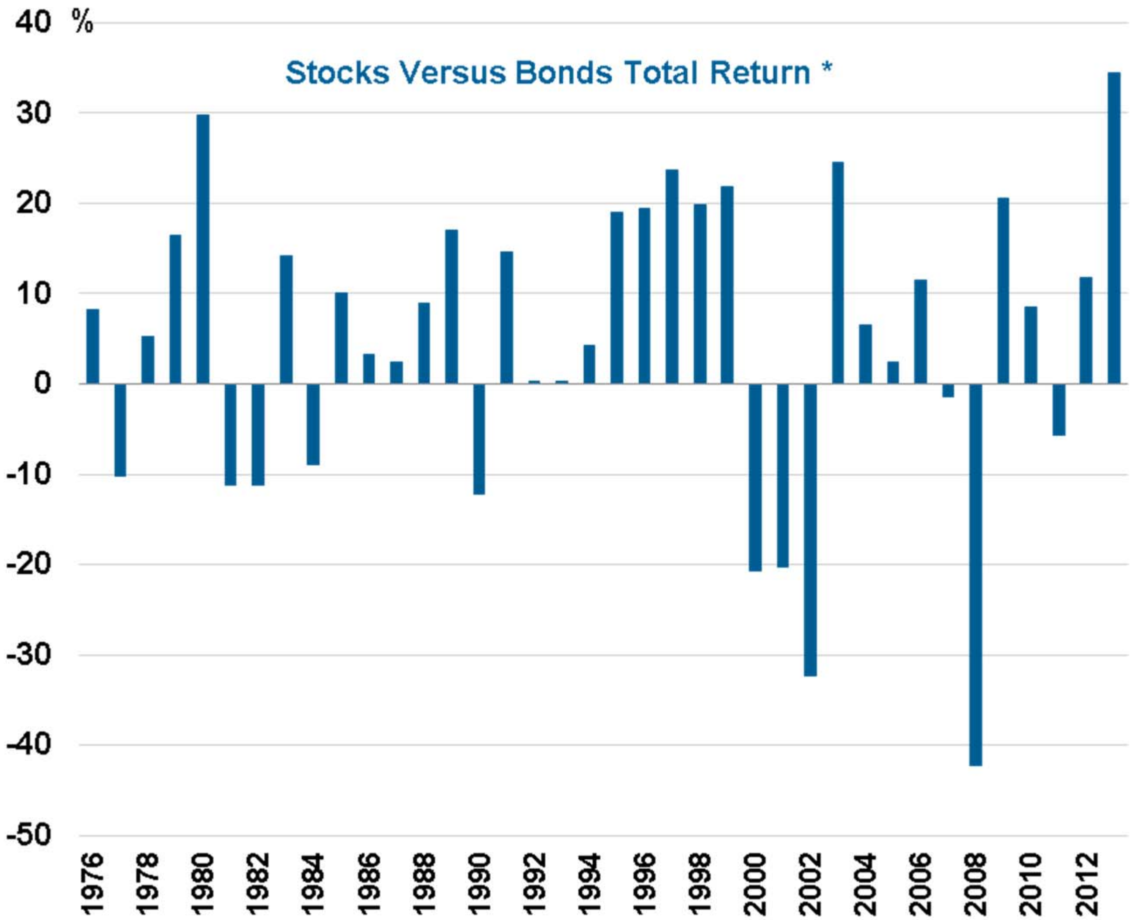
WEALTH MANAGEMENT

Morgan Stanley

The Global Investment Committee Market Outlook

January 22, 2014

2013 the Strongest in 38 Years for Stocks Versus Bonds



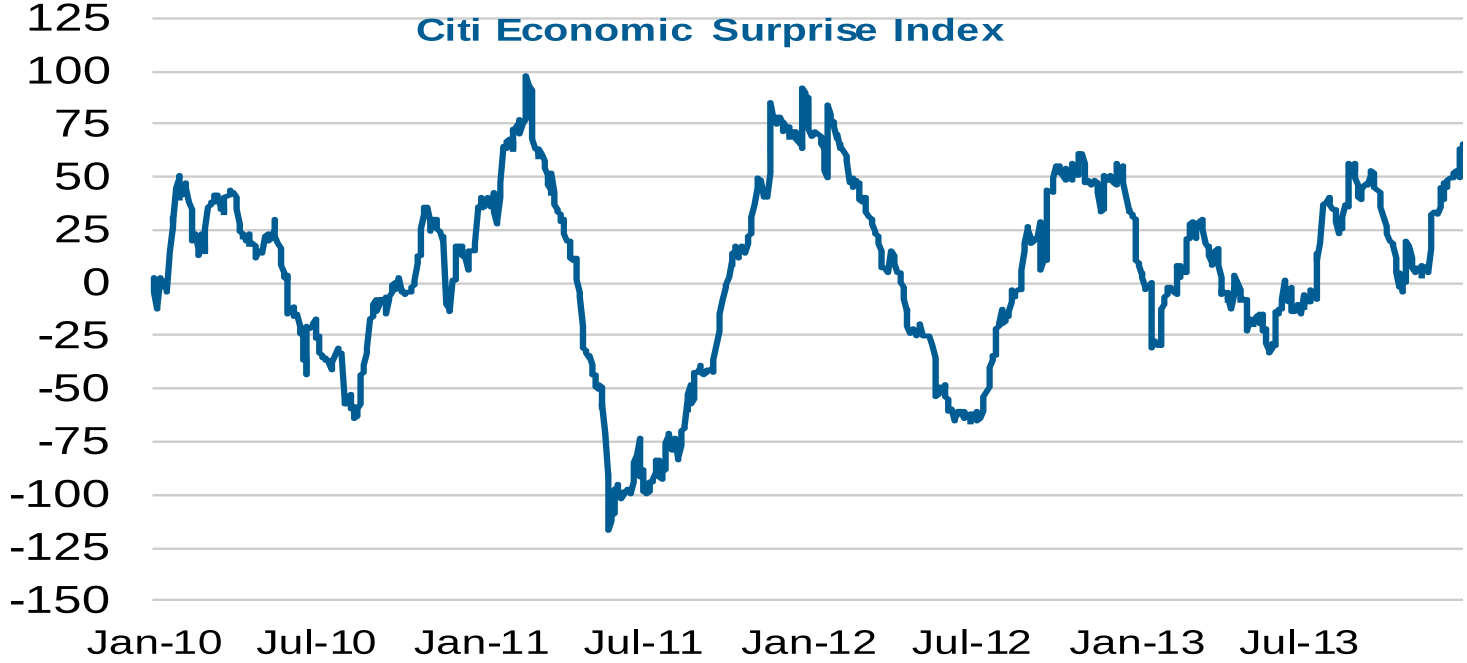
*Difference between the return on the S&P 500 and the Barclays Capital US Aggregate Bond Index

Please reference slide 17 for index definitions.

Source: Morgan Stanley & Co.as of December 31, 2013

Despite that Record Performance We Still Prefer Stocks

Economic growth has been surprising on the upside, which is generally better for stocks than bonds



The Citi Economic Surprise Index measures actual economic surprises relative to expecations/estimates. A positive reading (> 0) means that data have been stronger than expected, w hile a negative reading means data releases have been w orse than expected.

Source: Bloomberg as of Jan 10, 2014

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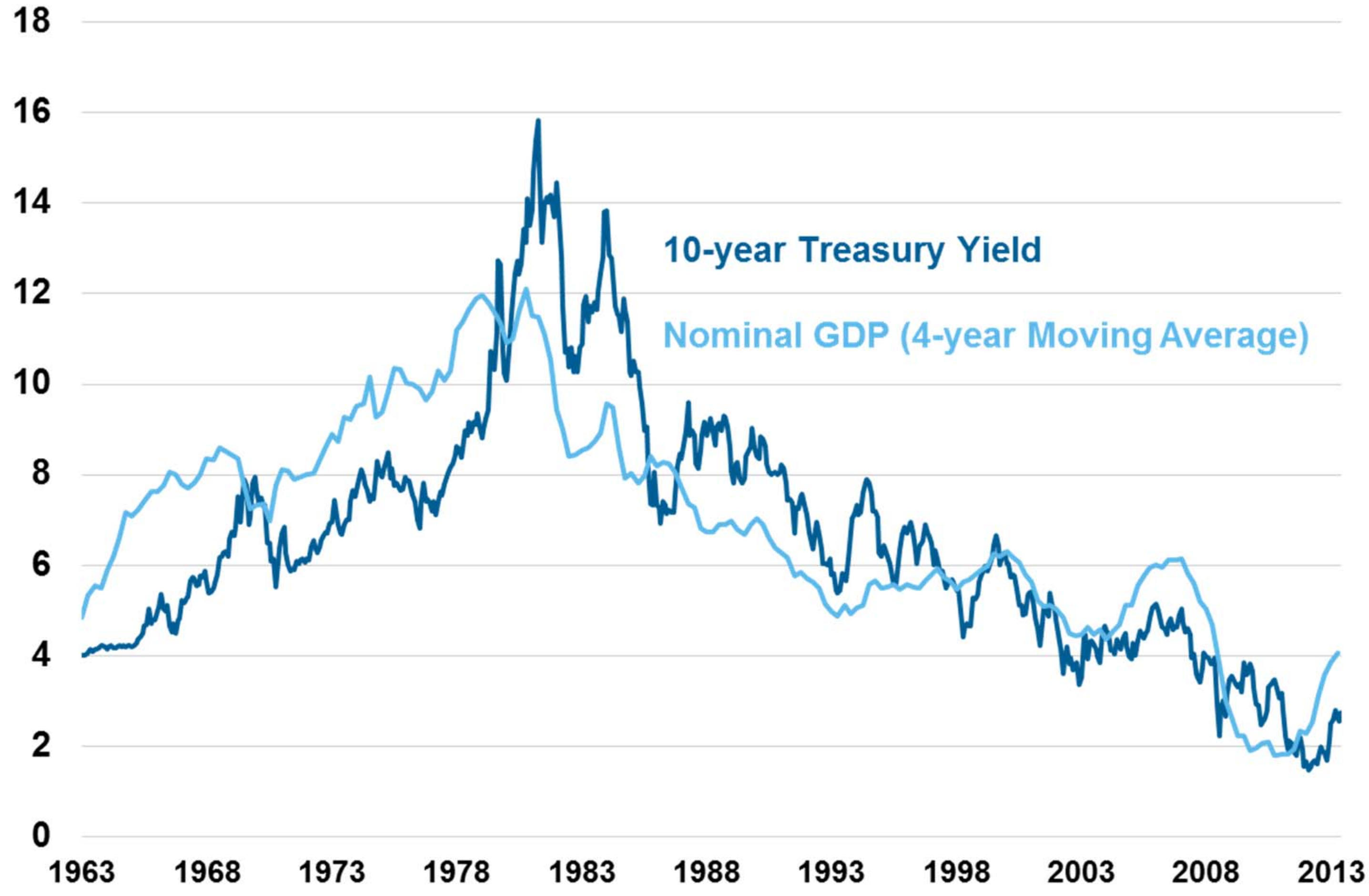
Interest Rates Are Determined by Growth Not "QE"



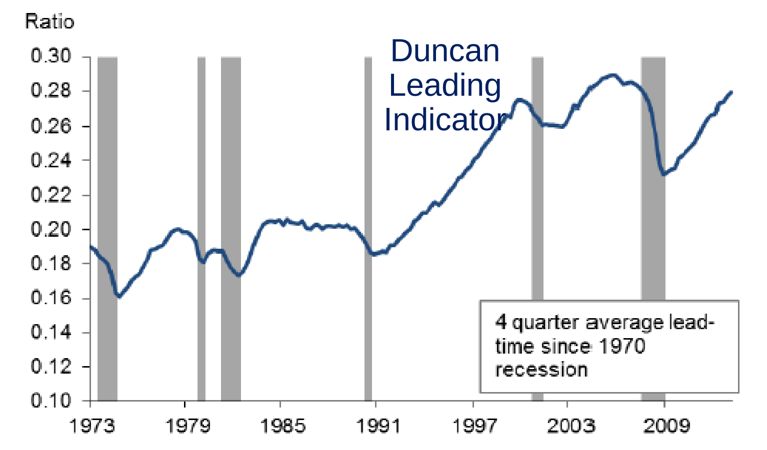
Source: Bloomberg as of December 31, 2013

For Stocks, it's Earnings that Matter

Source: Bloomberg as of January 17, 2014

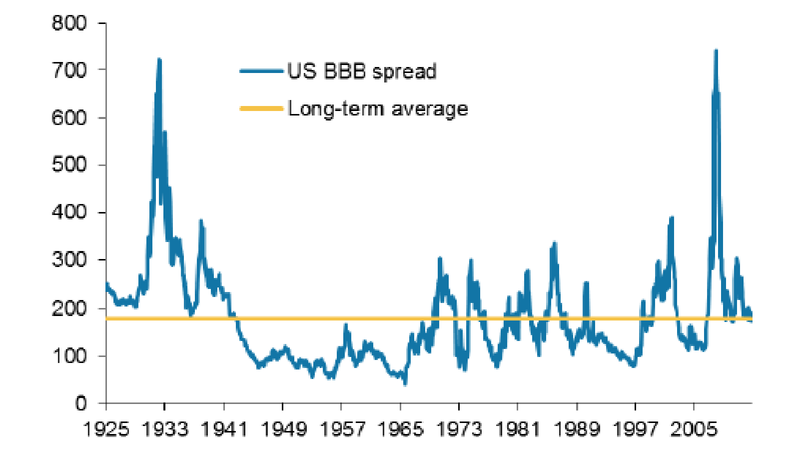
And Earnings Should Continue to Be Strong Barring a Recession

DLI Suggests US Expansion Intact Through 2014



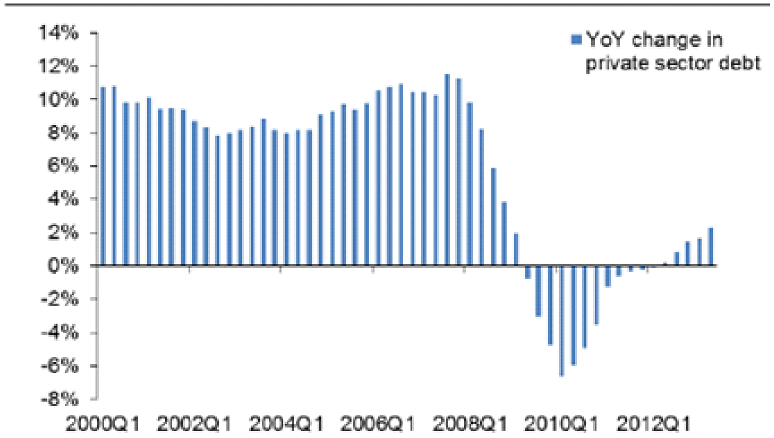
Source: Bloomberg, Haver Analytics, Morgan Stanley Research

Corporate Credit Spreads Are Not Tight



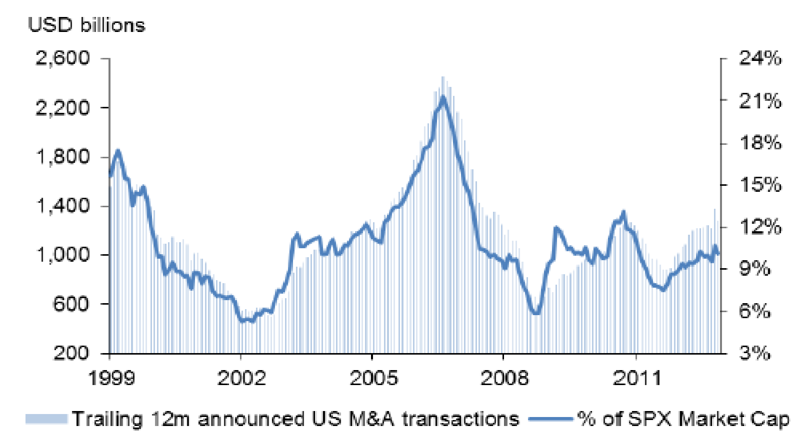
Source: The Yield Book, Moody's, S&P, Morgan Stanley Research

US Private Debt Growth Should Accelerate in 2014



Source: Federal Reserve, Morgan Stanley Research

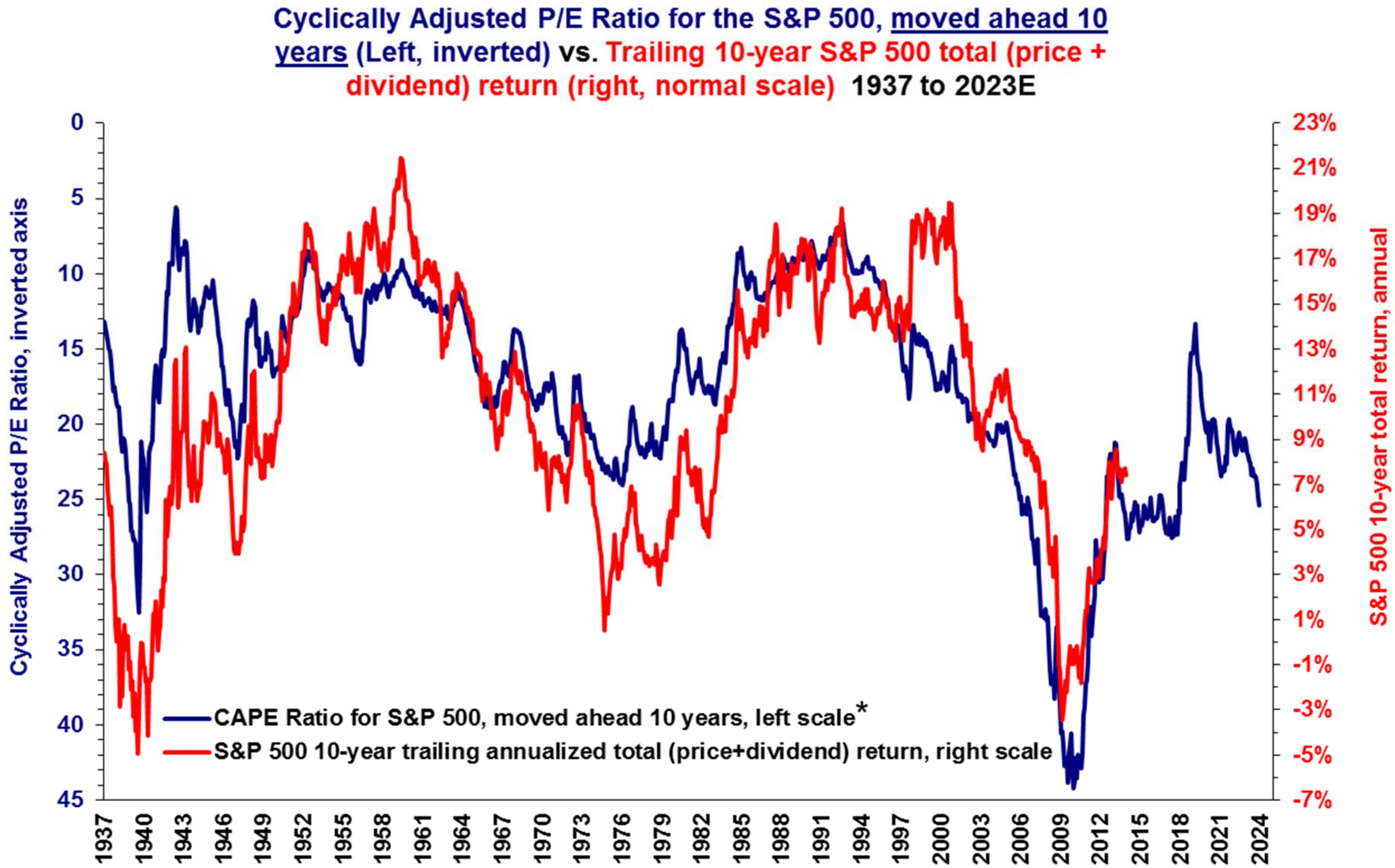
US M&A Activity Remains Muted – For Now



Source: Bloomberg, Datastream, Morgan Stanley Research

The Duncan Leading Indicator (DLI) examines the consistently cyclical components of the US economy in relation to overall real economic growth. If these cyclical components, representing inflation-adjusted measures of spending and investment, are growing faster than real final demand, then, expressed as a ratio, a peak should precede a decline in overall economic activity.

In Aggregate, US Equities Appear Fairly Valued, Not Overvalued



*Historically, cyclically adjusted price-earnings ratios have led subsequent returns with a 10-year lag. Recent price earnings levels suggest equity returns could be better going forward than they have been over the recent past, assuming the statistical relationship holds. Past performance is no guarantee of future results. Estimates of future performance are based on assumptions that may not be realized. This material is not a solicitation of any offer to buy or sell any security or other financial instrument or to participate in any trading strategy.

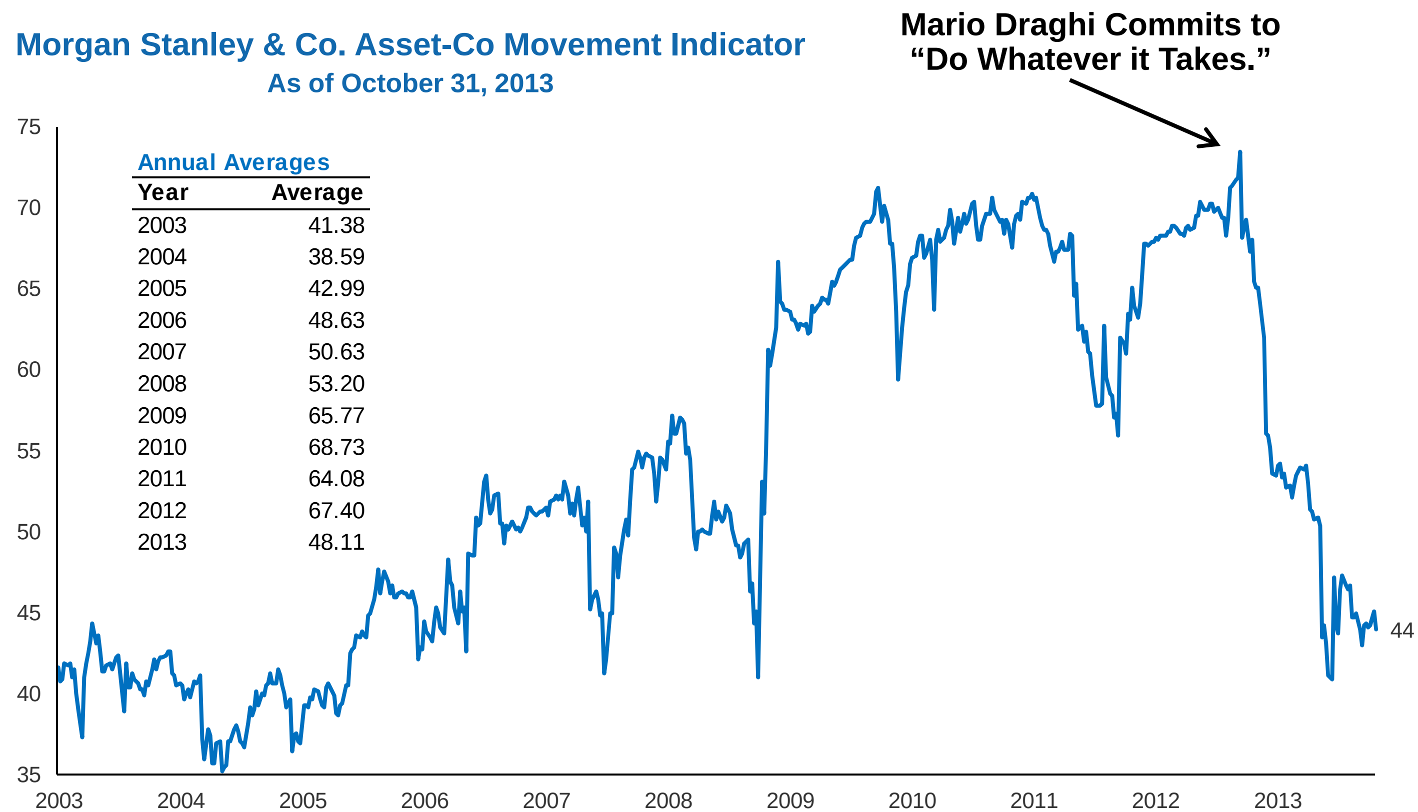
Source: FactSet. Data as of December 31, 2013. Chart spans 1937-2023E. Data spans 1927-2013.

Low Correlations Are Good for “Active” Managers

Cross-asset correlations remain below average and are signaling an increased global appetite for risk

Morgan Stanley & Co. Asset-Co Movement Indicator

As of October 31, 2013



Annual Averages

Year	Average
2003	41.38
2004	38.59
2005	42.99
2006	48.63
2007	50.63
2008	53.20
2009	65.77
2010	68.73
2011	64.08
2012	67.40
2013	48.11

Note: Morgan Stanley & Co.’s Asset Co-Movement Indicator Index tracks weekly returns of 16 different asset classes and how much of their cross-variation can be explained by a single factor.

Source: Morgan Stanley & Co. Research

In 2013 Active Managers Outperformed

Percentage of Funds Outperforming Passive Equity Indices

Mutual Fund

	Large	Mid	Small	Total
2004	57%	40%	50%	51%
2005	60%	30%	75%	58%
2006	34%	38%	28%	34%
2007	60%	62%	60%	61%
2008	48%	68%	37%	49%
2009	53%	32%	67%	52%
2010	34%	30%	46%	36%
2011	25%	37%	57%	35%
2012	37%	33%	38%	36%
2013	47%	50%	44%	47%
2Q2013 to 4Q2013	55%	59%	46%	54%
10-Yr Average	46%	42%	50%	46%

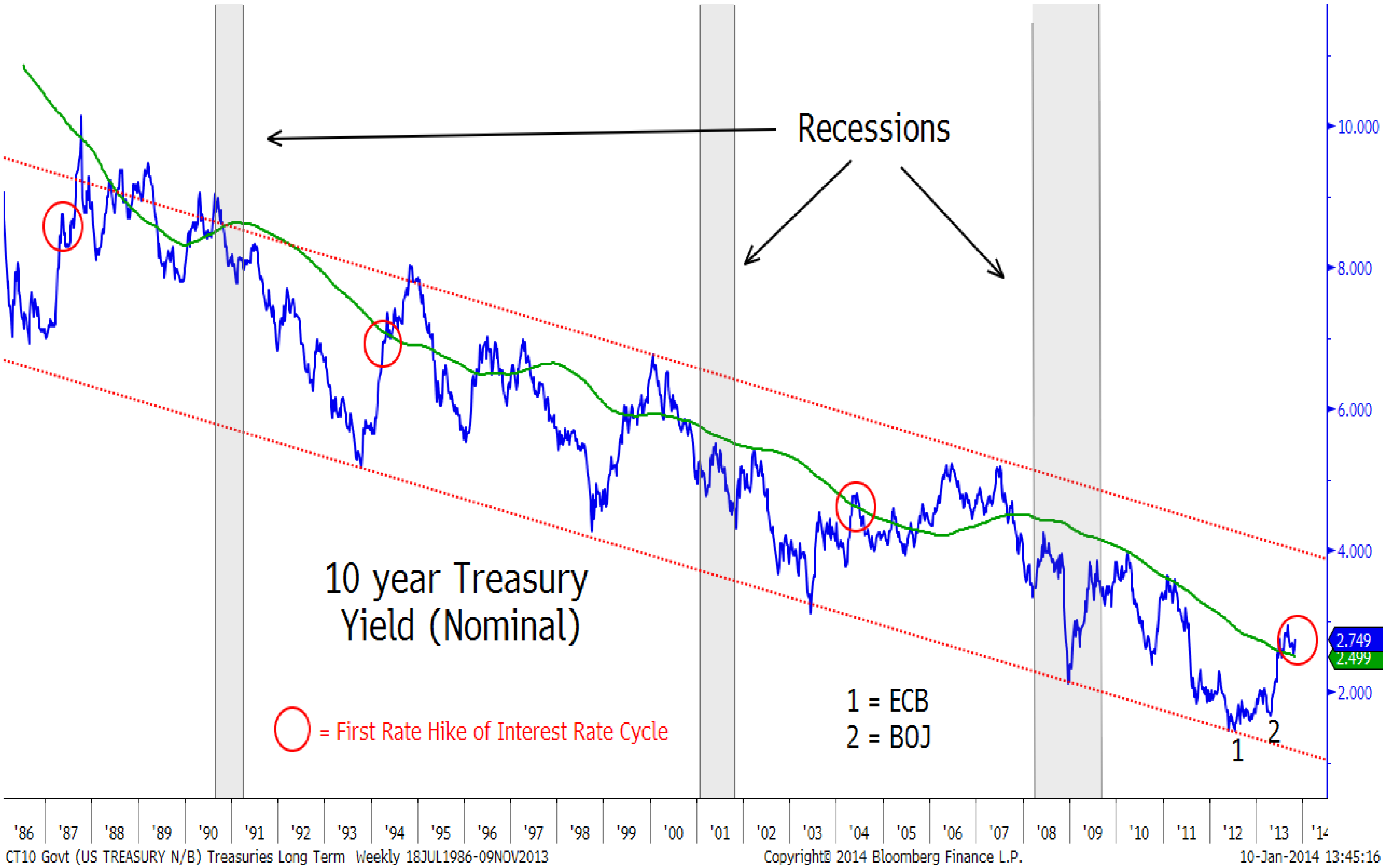
SMA

	Large	Mid	Small	Total
2004	66%	43%	67%	62%
2005	71%	45%	85%	70%
2006	44%	49%	40%	44%
2007	66%	70%	66%	67%
2008	65%	73%	41%	61%
2009	52%	34%	68%	53%
2010	42%	44%	58%	46%
2011	40%	52%	67%	49%
2012	38%	41%	50%	42%
2013	53%	61%	57%	55%
2Q2013 to 4Q2013	57%	65%	58%	59%
10-Yr Average	54%	51%	60%	55%

Source: Morningstar, Morgan Stanley Wealth Management as of December 31, 2013

Investors should carefully consider the investment objectives and risks as well as charges and expenses of a mutual fund before investing. To obtain a prospectus, contact your Financial Advisor or visit the fund company's website. The prospectus contains this and other information about the mutual fund. Please read the prospectus carefully before investing.

Tapering of QE Should Mark the Beginning of the Recovery, Not the End



Source: Bloomberg as of January 10, 2014

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What Else Do We Like?

Japan is Still the Cheapest *Growth* Story

Consensus as of 1/6/2014

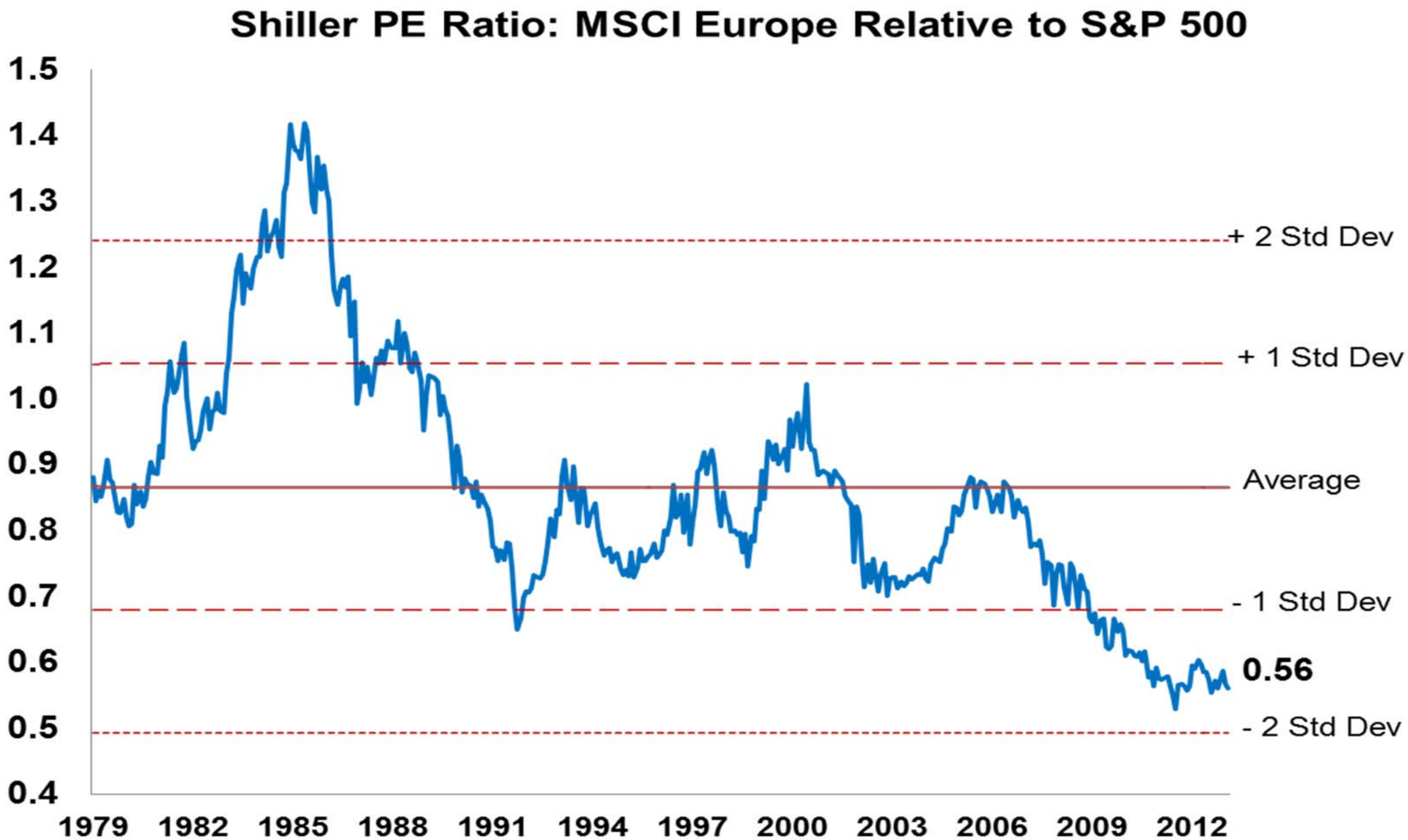
	Consensus EPS Growth*		Price/Earnings Ratio*		Price/Book Ratio**		Price/Earnings to Growth	
Index	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**
MSCI Japan	70%	10%	15.2	13.8	1.4	1.3	0.2	1.4
MSCI US	7%	10%	16.9	15.4	2.7	2.5	2.6	1.6
MSCI Europe	-2%	13%	14.6	13.0	1.8	1.6	-7.1	1.0
MSCI Emerging Markets	7%	12%	11.4	10.2	1.5	1.3	1.6	0.9

* Updated Monthly in Middle of Month
** Updated Daily

Source: FactSet estimates and Morgan Stanley Wealth Management as of January 6, 2014

Please reference slide 17 for index definitions.

Europe Remains Very Cheap Relative to the US



Source: Bloomberg as of December 31, 2013

The Shiller PE ratio, also known as the cyclically adjusted P/E ratio, uses a 10-year average of inflation-adjusted earnings to value the stock market.

Standard deviation is a measure of the dispersion of a set of data from its mean. The more spread apart the data, the higher the deviation. Standard deviation is applied to the annual rate of return of an investment to measure the investment's volatility. Standard deviation is also known as historical volatility and is used as a gauge for the amount of expected volatility.

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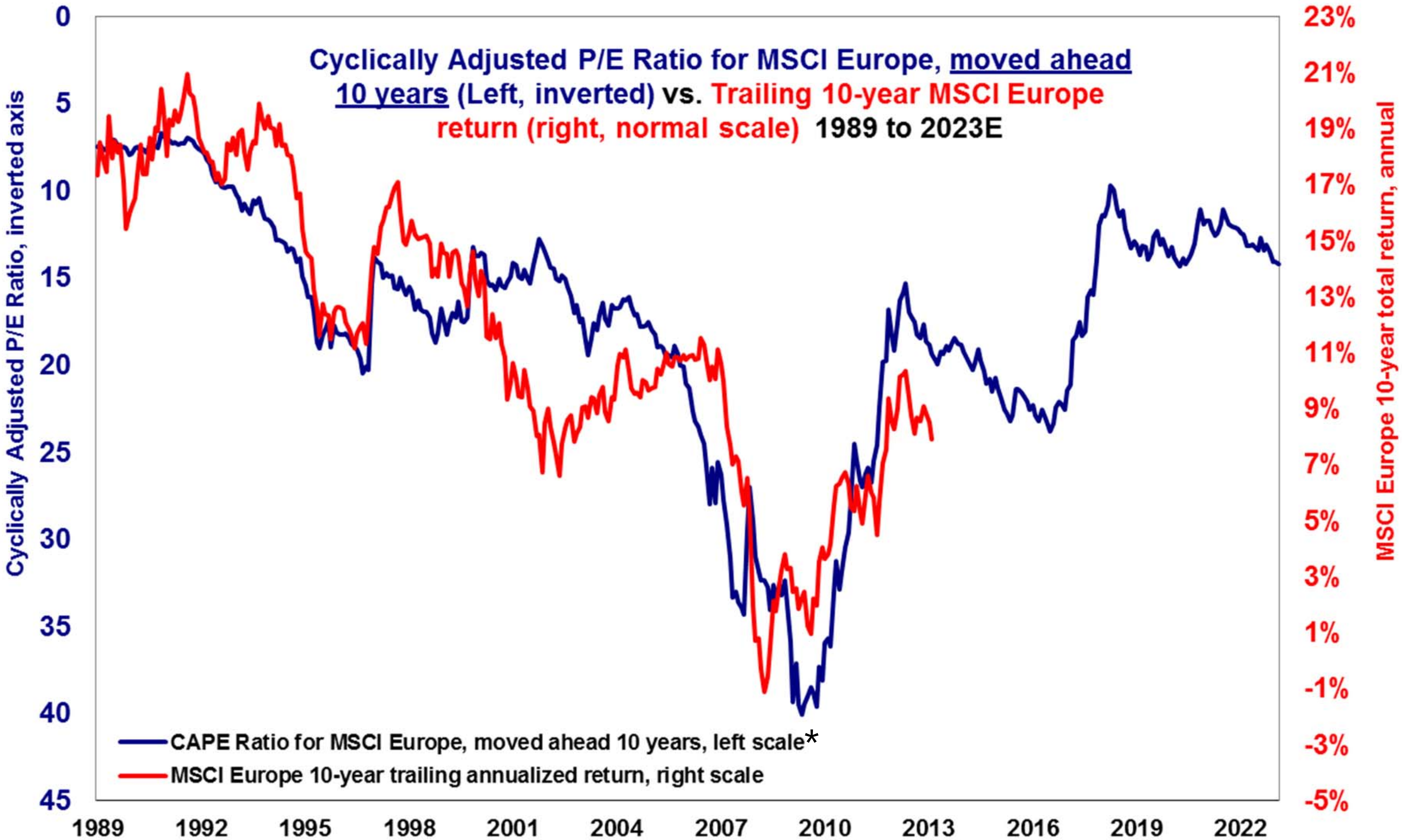
And, Price Matters



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Source: FactSet. Data as of December 31, 2013. Chart spans 1989-2023E. Data spans 1979-2013.

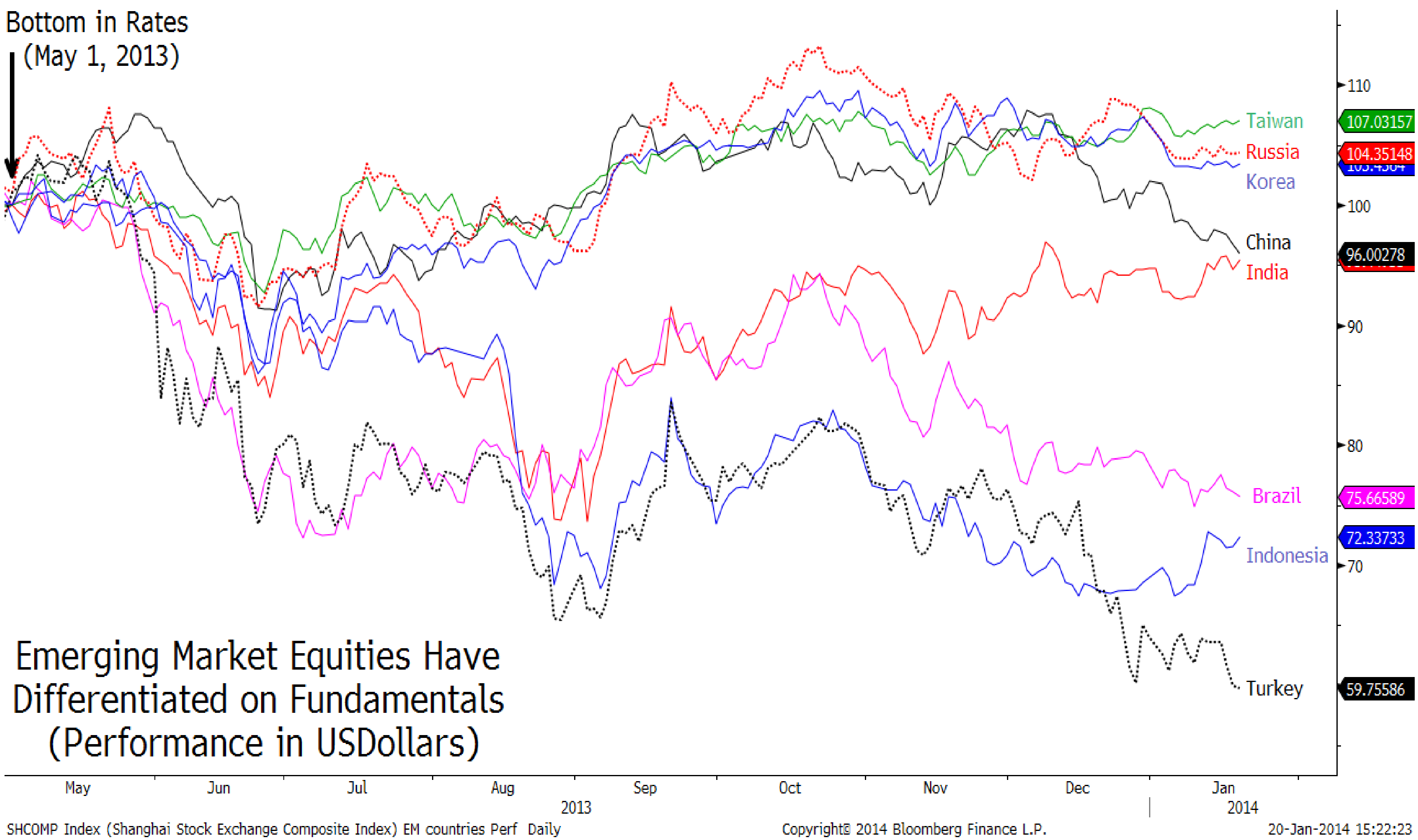
Emerging Markets Remain Challenged but Differentiated

Emerging Markets are still suffering from multiple issues:

1. Growth is decelerating after a decade of torrid expansion
2. Policy remains tight—some voluntary (China) and some involuntary due to inflation and CA deficits (India/Brazil/Turkey)
3. Most EM economies are "re-balancing" toward domestically driven demand from exports and infrastructure but this will take time
4. EM vulnerable to global liquidity withdrawal (Fed tapering)
5. "Winner's Curse" has kept strong fund flows into EM past few years. This could reverse and exacerbate the real issues
6. EM Benchmarks are too heavily weighted toward BRICs (Brazil, Russia, India, China) and Energy, Materials and Financial sectors
7. Dispersion between EM countries has rarely, if ever, been greater

➔ Active management should be employed for EM investing

Emerging Markets Should Not be Viewed as “ONE”



Source: Bloomberg as of January 20, 2014

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What Do We Recommend?

- We continue to recommend equities over fixed income for our strategic time horizon (7 years). Active over passive investing at this point.
- In the US, we prefer Growth: Healthcare, Tech, Chemicals, Industrials.
- Japan is at the early stages of a new bull market—i.e., volatile.
- Europe is a laggard play on the global recovery.
- Emerging Markets is the region with biggest issues, but there are signs of stabilization in several regions. Likely to underperform as Fed ends QE.
- For fixed income we still recommend below-benchmark duration. Opportunities within credit and municipals available.
- We still like Bank Loans and FRNs, and shorter-duration high yield looks selectively attractive as well.
- Commodities remain weak despite stabilization in China demand. MLPs may present a better way to get exposure to Energy commodities.

For more information about the risks to Duration and Master Limited Partnerships, please see the Risk Considerations section beginning on slide 18 of this presentation.

Index Definitions

Barclays Global Aggregate Index - The Barclays Capital Global Aggregate Index (formerly the Lehman Brothers Global Aggregate Index) provides a broad-based measure of the global investment-grade fixed income markets. The three major components of this index are the U.S. Aggregate, the Pan-European Aggregate, and the Asian-Pacific Aggregate Indices. The Index also includes Eurodollar and Euro-Yen corporate bonds, Canadian government, agency and corporate securities, and USD investment grade 144A securities.

MSCI Emerging Markets - This index measures the performance of equities issued by companies domiciled in emerging markets.

MSCI Europe - This free float-adjusted market capitalization weighted index is designed to measure the equity market performance of the developed markets in Europe.

MSCI Japan - This free-float adjusted capitalization-weighted index measures the equity market performance of companies domiciled in Japan.

MSCI US - This free float-adjusted market capitalization index is designed to measure large- and mid-cap US equity market performance.

S&P 500 Index - The S&P 500 is a free-float capitalization-weighted index published since 1957 of the prices of 500 large-cap common stocks actively traded in the United States. The stocks included in the S&P 500 are those of large publicly held companies that trade on either of the two largest American stock market exchanges; the New York Stock Exchange and the NASDAQ.

Risk Considerations

Duration

Duration, the most commonly used measure of bond risk, quantifies the effect of changes in interest rates on the price of a bond or bond portfolio. The longer the duration, the more sensitive the bond or portfolio would be to changes in interest rates. Generally, if interest rates rise, bond prices fall and vice versa. Longer-term bonds carry a longer or higher duration than shorter-term bonds; as such, they would be affected by changing interest rates for a greater period of time if interest rates were to increase. Consequently, the price of a long-term bond would drop significantly as compared to the price of a short-term bond.

MLP Risks

Master Limited Partnerships (MLPs) are limited partnerships or limited liability companies that are taxed as partnerships and whose interests (limited partnership units or limited liability company units) are traded on securities exchanges like shares of common stock. Currently, most MLPs operate in the energy, natural resources or real estate sectors. Investments in MLP interests are subject to the risks generally applicable to companies in the energy and natural resources sectors, including commodity pricing risk, supply and demand risk, depletion risk and exploration risk.

Individual MLPs are publicly traded partnerships that have unique risks related to their structure. These include, but are not limited to, their reliance on the capital markets to fund growth, adverse ruling on the current tax treatment of distributions (typically mostly tax deferred), and commodity volume risk.

The potential tax benefits from investing in MLPs depend on their being treated as partnerships for federal income tax purposes and, if the MLP is deemed to be a corporation, then its income would be subject to federal taxation at the entity level, reducing the amount of cash available for distribution to the fund which could result in a reduction of the fund’s value.

MLPs carry interest rate risk and may underperform in a rising interest rate environment. MLP funds accrue deferred income taxes for future tax liabilities associated with the portion of MLP distributions considered to be a tax-deferred return of capital and for any net operating gains as well as capital appreciation of its investments; this deferred tax liability is reflected in the daily NAV; and, as a result, the MLP fund’s after-tax performance could differ significantly from the underlying assets even if the pre-tax performance is closely tracked.

International investing entails greater risk, as well as greater potential rewards compared to U.S. investing. These risks include political and economic uncertainties of foreign countries as well as the risk of currency fluctuations. These risks are magnified in countries with emerging markets, since these countries may have relatively unstable governments and less established markets and economies.

Investing in commodities entails significant risks. Commodity prices may be affected by a variety of factors at any time, including but not limited to, (i) changes in supply and demand relationships, (ii) governmental programs and policies, (iii) national and international political and economic events, war and terrorist events, (iv) changes in interest and exchange rates, (v) trading activities in commodities and related contracts, (vi) pestilence, technological change and weather, and (vii) the price volatility of a commodity. In addition, the commodities markets are subject to temporary distortions or other disruptions due to various factors, including lack of liquidity, participation of speculators and government intervention.

Risk Considerations *(cont'd)*

Bonds are subject to interest rate risk. When interest rates rise, bond prices fall; generally the longer a bond's maturity, the more sensitive it is to this risk. Bonds may also be subject to call risk, which is the risk that the issuer will redeem the debt at its option, fully or partially, before the scheduled maturity date. The market value of debt instruments may fluctuate, and proceeds from sales prior to maturity may be more or less than the amount originally invested or the maturity value due to changes in market conditions or changes in the credit quality of the issuer. Bonds are subject to the credit risk of the issuer. This is the risk that the issuer might be unable to make interest and/or principal payments on a timely basis. Bonds are also subject to reinvestment risk, which is the risk that principal and/or interest payments from a given investment may be reinvested at a lower interest rate.

Bonds rated below investment grade may have speculative characteristics and present significant risks beyond those of other securities, including greater credit risk and price volatility in the secondary market. Investors should be careful to consider these risks alongside their individual circumstances, objectives and risk tolerance before investing in high-yield bonds. High yield bonds should comprise only a limited portion of a balanced portfolio.

Interest on municipal bonds is generally exempt from federal income tax; however, some bonds may be subject to the alternative minimum tax (AMT). Typically, state tax-exemption applies if securities are issued within one's state of residence and, if applicable, local tax-exemption applies if securities are issued within one's city of residence.

Equity securities may fluctuate in response to news on companies, industries, market conditions and general economic environment.

Value investing does not guarantee a profit or eliminate risk. Not all companies whose stocks are considered to be value stocks are able to turn their business around or successfully employ corrective strategies which would result in stock prices that do not rise as initially expected.

Growth investing does not guarantee a profit or eliminate risk. The stocks of these companies can have relatively high valuations. Because of these high valuations, an investment in a growth stock can be more risky than an investment in a company with more modest growth expectations.

The **indices** are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only and do not represent the performance of any specific investment.

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Investing in foreign emerging markets entails greater risks than those normally associated with domestic markets, such as political, currency, economic and market risks.

Because of their narrow focus, **sector investments** tend to be more volatile than investments that diversify across many sectors and companies.

For additional risks, please see the Disclosures section beginning on slide 20 of this presentation.

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