Morgan Stanley

INVESTMENT MANAGEMENT

Managed Solutions Group

SOLUTIONS & MULTI-ASSET | MANAGED SOLUTIONS GROUP | DEFENSIVE EQUITY STRATEGY SUITE | 2020

Outcome-oriented equity strategies designed to be used as strategic allocations which seek to complement asset class diversification as additional risk management tools for an investor’s core equity portfolio sleeve.

Managed Solutions Group Defensive Equity SMA Suite

INVESTMENT SOLUTION	BENCHMARK	UNDERLYING	USD CURRENCY HEDGED	MANAGER FEE[1]	INVESTMENT MINIMUM
Defensive U.S. Large Cap Core Equity	S&P 500 Total Return Index	S&P 500 Index	–	0.55%	$100,000
Defensive European Large Cap Core Equity	EURO STOXX 50 Net Return Daily Hedged USD Index	EURO STOXX 50 Index	Fully Hedged	0.55%	$100,000
Defensive International Core Equity	MSCI EAFE Net Total Return USD Index	MSCI EAFE Index	Full FX Exposure	0.55%	$5,000,000*
Defensive All World Core Equity	MSCI ACWI Net Total Return USD Index	MSCI ACWI Index	Full FX Exposure	0.55%	$5,000,000*

Please reach out to your Morgan Stanley Sales coverage representative with any questions.

[1] Wealth manager advisory fees and platform fees will apply and are not included in the investment management fee. Transaction costs are not included in the investment management fee and will impact strategy performance.

* Can accommodate individual account exceptions

Structured Investments may not be appropriate for all investors. There is no guarantee any investment objective or target will be achieved. Investors should carefully review the risks associated with these investments. They are not designed to be short-term trading instruments and involve risks that are not associated with investments in ordinary fixed or floating debt securities. In most instances, investors should be willing and able to hold a structured investment to maturity, or risk selling the structure investment at a discount or loss. Payments are subject to the credit risk of the issuer (and the guarantor, if applicable). In the event that the issuer of the structured investment were to default, the investor could expect to lose 100% of their initial investment.

INDEX DEFINITIONS

EURO STOXX 50 Index (SX5E): A market capitalization-weighted stock index of 50 large, blue-chip European companies operating within Eurozone nations.

Indexes do not include any expenses, fees or sales charges, which would lower performance. The indexes are unmanaged and should not be considered an investment. It is not possible to invest directly in an index.

EURO STOXX 50 Net Return Daily Hedged USD Index (SX5DU): An innovative investment tool that measures the performance of an underlying index while at the same time eliminating foreign currency fluctuations. The index therefore combines the performance of the underlying STOXX index with a hypothetical, rolling investment into one-month foreign exchange forward contracts, with daily adjustment of invested notional and currency exposures.

MSCI ACWI Index (MXWD): MSCI's flagship global equity index which is designed to represent performance of the full opportunity set of large- and mid-cap stocks across 23 developed and 26 emerging markets. As of December 2019, it covers more than 3,000 constituents across 11 sectors and approximately 85% of the free float-adjusted market capitalization in each market. The index is built using MSCI's Global Investable Market Index (GIMI) methodology, which is designed to take into account variations reflecting conditions across regions, marketcap sizes, sectors, style segments and combinations.

MSCI ACWI Net Total Return USD Index (NDUEACWF): Part of the MSCI Net Total Return Index Series. The inception date for MSCI AC World Net Total Returns is 12/31/1998.

MSCI EAFE Index (MXEA): An equity index which captures large and mid cap representation across 21 Developed Markets countries around the world, excluding the US and Canada. With 902 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

MSCI EAFE Net Total Return USD Index (NDDUEAFE): Morgan Stanley Capital International Equity Indices in US Dollars. Indices with net dividends reinvested use the same dividend minus-tax-credit calculations, but subtract withholding taxes retained at the source for foreigners who do not benefit from a double taxation treaty.

S&P 500 Index: A market-capitalization-weighted index of the 500 largest U.S. publicly traded companies, widely regarded as the best gauge of large-cap U.S. equities.

RISK FACTORS

The Defensive European Large Cap Core Equity Strategy invests in structured investments with leveraged upside (within a range of performance) and a minimum 10% downside buffer (the "structured investment"). An investment in the structured investment involves significant risks. We urge you to consult your investment, legal, tax, accounting and other advisors before you invest in the structured investment. Investing in the structured investment is not equivalent to investing directly in the underlier or any of the securities composing the underlier. Some of the risks that apply to an investment in the structured investment are summarized below, but we urge you to read the more detailed explanation of risks relating to the structured investment generally in the "Risk Factors" section of a structured investment prospectus supplement. You should not purchase the structured investment unless you understand and can bear the risks of investing in the structured investment.

- The structured investments do not pay interest and provide a minimum payment at maturity of only a portion of your principal.
- The appreciation potential of the structured investments may be limited by the maximum payment at maturity.
- The issuer might not be the parent company of a group, but might instead be a subsidiary whose structured investments are guaranteed by its parent company, in which case you should understand the guarantee, the potential remedies available to you against the issuer and the guarantor and the potential claims (including their ranking) and recoveries available to you against the issuer and the guarantor in a bankruptcy, resolution or similar proceeding.
- The market price of the structured investments will be influenced by many unpredictable factors.
- The structured investments are subject to the credit risk of the issuer (and the guarantor, if applicable), and any actual or anticipated changes to its credit ratings or credit spreads may adversely affect the market value of the structured investments.
- The amount payable on the structured investments is not linked to the value of the underlier at any time other than the valuation date(s).
- Investing in the structured investments is not equivalent to investing in the underlier.
- The rate the issuer is willing to pay for securities of this type, maturity and issuance size is likely to be lower than the rate implied by the issuer's (or the guarantor's, if applicable) secondary market credit spreads and advantageous to it. Both the lower rate and the inclusion of costs associated with issuing, selling, structuring and hedging the structured investments in the original issue price reduce the economic terms of the structured investments, cause the estimated value of the structured investments to be less than the original issue price and will adversely affect secondary market prices.
- Adjustments to the underlier could adversely affect the value of the structured investments.
- The estimated value of the structured investments is determined by reference to pricing and valuation models of the issuer or an affiliate of the issuer, which may differ from those of other dealers and is not a maximum or minimum secondary market price.
- The structured investments will not be listed on any securities exchange and secondary trading may be limited.
- The calculation agent, which may be an affiliate of the issuer, will make determinations with respect to the structured investments.
- Hedging and trading activity by the issuer's affiliates could potentially adversely affect the value of the structured investments.

There is no assurance that a strategy will achieve its investment objective. Portfolios are subject to market risk, which is the possibility that market values of portfolio securities will decline and that the value of underlying securities may therefore be less than what you paid for them. Market values can change daily due to economic and other events (such as natural disasters, epidemics and pandemics, terrorism, conflicts and social unrest) that affect markets generally, as well as those that affect particular regions, countries, industries, companies or governments. It is difficult to predict when events may occur, the effects they may have (e.g. adversely affect the liquidity of the portfolio), and the duration of those effects. Accordingly, you can lose money investing in this strategy. Please be aware that this strategy is subject to additional risks, including, but not limited to:

General Investment Risk: Investments may be speculative and include a high degree of risk. Investors could lose all or a substantial amount of their investment.

Investments can be highly volatile and may engage in **leverage** and other speculative investment practices, which can increase investment loss.

Fixed-income securities are subject to the ability of an issuer to make timely principal and interest payments (credit risk), changes in interest rates (interest-rate risk), the creditworthiness of the issuer and general market liquidity (market risk). Prices tend to be inversely affected by changes in interest rates. Longer-term securities may be more sensitive to interest rate changes.

Issuer Risk: The value of a security may decline for reasons related to the issuer, such as earnings stability, overall financial soundness, management performance and reduced demand for the issuer's goods or services.

Investments in **foreign markets** entail special risks such as currency, political, economic, market and liquidity risks.

European Investments Risk. Adverse political, social or economic developments in Europe, or in a particular European country, could cause a substantial decline in the value of the Portfolio. In addition, because investments are concentrated in Europe, performance may be more volatile than a more geographically diversified set of investments. In addition, if one or more countries leave the European Union ("EU") or the EU dissolves, the world's securities markets likely will be significantly disrupted. The financial instability of some countries in the EU together with the risk of such instability impacting other more stable countries may increase the economic risk of investing in companies in Europe.

Diversification does not eliminate risk of loss. When comparing **asset classes**, keep in mind that each has differences and that all investments involve risks, including the possible loss of principal.

The risks of investing in the Strategy may be intensified because the Strategy's investments may be **concentrated** in securities of a limited number of issuers.

As a result, the performance of a particular investment or a small group of investments may affect the Strategy's performance more than it would if the Strategy held securities of a larger number of issuers.

Derivative instruments can be illiquid, may disproportionately increase losses and may have a potentially large negative impact on the portfolio's performance.

The strategy may invest in **illiquid securities**, which may be difficult for the strategy to sell at a reasonable price. There may be no secondary market and there may be restrictions on redemptions, assigning or otherwise transferring investments.

While the investment manager generally will seek to achieve, over a full market cycle, the **level of volatility** in the portfolio's performance as described, there can be no guarantee that this will be achieved; actual or realized volatility for any particular period may be materially higher or lower depending on market conditions. In addition, the investment manager's efforts to manage the portfolio's volatility can be expected, in a period of generally positive equity market returns, to reduce the portfolio's performance below what could be achieved without seeking to manage volatility and, thus, the portfolio would generally be expected to underperform market indices that do not seek to achieve a specified level of volatility.

Zero coupon securities are more sensitive to interest rate changes than comparable interest-paying securities.

The U.S. federal income tax consequences of an investment in the structured investment are uncertain. There is no direct legal authority regarding the proper U.S. federal income tax treatment of the structured investment, and we do not plan to request a ruling from the Internal Revenue Service (the "IRS"). Consequently, significant aspects of the tax treatment of the structured investment are uncertain, and the IRS or a court might not agree with the treatment of the structured investment as described by the issuer in the relevant offering documents. If the IRS were successful in asserting an alternative treatment for the structured investment, the tax consequences of the ownership and disposition of the structured investment could be materially and adversely affected. In addition, in 2007 the Treasury Department and the IRS released a notice requesting comments on various issues regarding the U.S. federal income tax treatment of "prepaid forward contracts" and similar instruments. Any Treasury regulations or other guidance promulgated after consideration of these issues could materially and adversely affect the tax consequences of an investment in the structured investment, possibly with retroactive effect.

A DECISION TO INVEST SHOULD ONLY BE MADE AFTER READING THE STRATEGY DOCUMENTATION AND CONDUCTING IN-DEPTH AND INDEPENDENT DUE DILIGENCE.

The document is a general communications which is not impartial and has been prepared solely for information and educational purposes and does not constitute an offer or a recommendation to buy or sell any particular security or to adopt any specific investment strategy. The material contained herein has not been based on a consideration of any individual client circumstances and is not investment advice, nor should it be construed in any way as tax, accounting, legal or regulatory advice. To that end, investors should seek independent legal and financial advice, including advice as to tax consequences, before making any investment decision.

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A separately managed account may not be appropriate for all investors. Separate accounts managed according to the Strategy include a number of securities and will not necessarily track the performance of any index. Please consider the investment objectives, risks and fees of the Strategy carefully before investing. A minimum asset level is required. For important information about the investment manager, please refer to Form ADV Part 2.

There is no guarantee that any investment strategy will work under all market conditions, and each investor should evaluate their ability to invest for the long-term, especially during periods of downturn in the market.

NOT FDIC INSURED | OFFER NO BANK GUARANTEE | MAY LOSE VALUE | NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY | NOT A DEPOSIT

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