Morgan Stanley

INVESTMENT MANAGEMENT

Defensive U.S. Large Cap Core Equity Strategy

SOLUTIONS & MULTI-ASSET | MANAGED SOLUTIONS GROUP | STRATEGY FACT CARD | JANUARY 2020

CORE EQUITY EXPOSURE

The Defensive U.S. Large Cap Core Equity Strategy seeks to provide investors with core U.S. large cap equity market exposure, but in a more defensive way seeking lower volatility relative to traditional equity investments. The strategy seeks to achieve lower volatility through active management of structured investments offering leveraged upside participation and a minimum 10% downside buffer. This outcome-oriented solution is meant to be used as a strategic allocation which seeks to complement asset class diversification[1] as an additional risk management tool for the equity sleeve of client portfolios.

OUTPERFORMANCE OPPORTUNITY

The portfolio is designed and implemented to provide investors with a downside buffer as well as leveraged upside participation to a maximum performance cap, which may be beneficial during muted and down markets. The Strategy seeks to achieve this through a portfolio of 10-15 structured investments systematically diversified across maturities, initial strikes,[2] buffers, cap levels, and issuers—all delivered to clients via the Separately Managed Account ("SMA") vehicle.

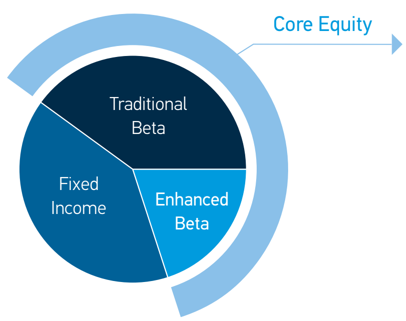
OUTCOME-ORIENTED APPROACH

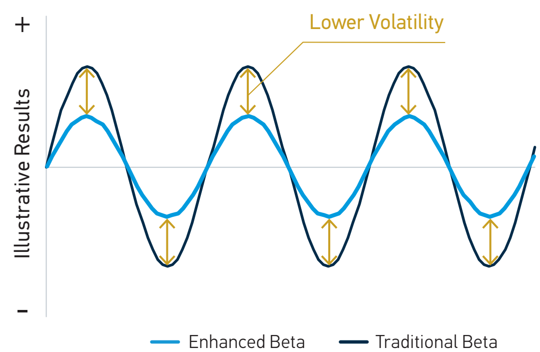
The Portfolio Management Team focuses on delivering solutions to clients through an outcome-oriented approach[3] driven by expertise in trading and investment experience in the structured investments space. Our process is further enhanced by Morgan Stanley's investment, technology, and operations expertise. We pride ourselves on the ability to deliver the best of Morgan Stanley to every client.

STRATEGY AT A GLANCE

Strategy Type	Enhanced Beta
Structure	Single-Contract Manager-Traded (full discretion) Separately Managed Account ("SMA")
Minimum Investment	USD 100,000
Underlying	S&P 500 Index
Benchmark	S&P 500 TR Index
Liquidity	Daily subscriptions and redemptions on a best efforts basis; no lock-ups
Management Fee[4]	0.55%
Inception	December 2019

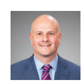
The "Enhanced Beta" strategy seeks to provide core U.S. Large Cap Equity exposure at a lower level of volatility than traditional equity beta (see illustrative potential results below)



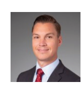


Source: MSIM, for illustrative purposes only. This illustration does not take into consideration a client's specific investment objectives, risk tolerance or financial situation.

THE INVESTMENT TEAM[5]



RON BEZOZA
Portfolio Manager
25 Years of Experience



NATHAN SHELDON
Portfolio Manager
16 Years of Experience

WILLIAM J. LITTLETON
Client Portfolio Manager
10 Years of Experience

Structured Investments may not be appropriate for all investors. 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 note to maturity, or risk selling the note 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 note were to default, the investor could expect to lose 100% of their initial investment. See next page for more information.

[1] Diversification neither assures a profit nor guarantees against loss in a declining market.

[2] Initial Strike refers to the closing level of the reference underlying index for the structured investment on strike date.

[3] Approach targets a range of return or "payoff", with an allowance for a defined range of risk at a specific point in time in the future. There is no guarantee any investment objective or target will be achieved.

[4] 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 but are included in the purchase price of the structured notes that the strategy invests in, and will therefore impact strategy performance. For additional information about the investment manager, please refer to the Form ADV provided by your wealth advisor.

[5] Team members may change without notice from time to time.

IMPORTANT DISCLOSURES

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.

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.

Beta is a measure of the volatility, or systematic risk, of a security or a portfolio in comparison to the market as a whole. **Volatility** is a statistical measure of the dispersion of returns for a given security or market index.

RISK FACTORS

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

- The leveraged upside securities do not pay interest and provide a minimum payment at maturity of only a portion of your principal.
- The appreciation potential of the leveraged upside securities 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 leveraged upside securities 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 leveraged upside securities will be influenced by many unpredictable factors.
- The leveraged upside securities 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 leveraged upside securities.
- The amount payable on the leveraged upside securities is not linked to the value of the underlier at any time other than the valuation date(s).
- Investing in the leveraged upside securities 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 leveraged upside securities in the original issue price reduce the economic terms of the leveraged upside securities, cause the estimated value of the leveraged upside securities 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 leveraged upside securities.
- The estimated value of the leveraged upside securities 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 leveraged upside securities 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 leveraged upside securities.
- Hedging and trading activity by the issuer's affiliates could potentially adversely affect the value of the leveraged upside securities.

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. Diversification does not eliminate risk of loss. 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. **Market risk** is the possibility that the market values of securities owned by the portfolio will decline and that the value 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. There is the risk that the Adviser's **asset allocation methodology** and assumptions regarding the Underlying Portfolios may be incorrect in light of actual market conditions and the Portfolio may not achieve its investment objective. **Bonds** are subject to interest-rate, price and credit risks. Prices tend to be inversely affected by changes in interest rates. 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. The Adviser and its affiliates are subject to **conflicts of interest** as they are responsible for managing most of the underlying strategies. **Credit risk** refers to the ability of an issuer to make timely payments of interest and principal. **Derivative instruments** can be illiquid, may disproportionately increase losses and may have a potentially large negative impact on the portfolio's performance. Transactions could result in losses greater than if they had not been used. These losses may have a potentially large negative impact on performance. **Equity securities** are more volatile then other investments. **Illiquid securities** can be highly illiquid. There may be no secondary market and there may be restrictions on redemptions, assigning or otherwise transferring investments. **Interest-rate risk** refers to the fluctuations in the value of a fixed-income security resulting from changes in the general level of interest rates. In a declining interest-rate environment, the Portfolio may generate less income. In a rising interest-rate environment, bond prices fall. The strategy may invest in **restricted and illiquid securities,** which may be difficult for the strategy to sell at a reasonable price. (**Liquidity Risk**). Individual investments of the portfolio may not perform as expected, and the **portfolio management** practices may not achieve the desired result. 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 above, 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. **Taxes:** Investments may involve complex tax structures and delays in distributing important tax information to investors. **The risks shown are some of the risks associated with the Strategy and are not exhaustive.**

The U.S. federal income tax consequences of an investment in the leveraged upside securities are uncertain. There is no direct legal authority regarding the proper U.S. federal income tax treatment of the leveraged upside securities, 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 leveraged upside securities are uncertain, and the IRS or a court might not agree with the treatment of the leveraged upside securities as described by the issuer in the relevant offering documents. If the IRS were successful in asserting an alternative treatment for the leveraged upside securities, the tax consequences of the ownership and disposition of the leveraged upside securities 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 leveraged upside securities, 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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The views and opinions expressed are those of the investment team at the time of writing/of this presentation and are subject to change at any time due to market, economic, or other conditions, and may not necessarily come to pass. These comments are not representative of the opinions and views of the firm as a whole.

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