

# 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

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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](http://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 28, 2024. For more details on any particular matter, please see the item in this ADV Brochure referred to in the summary below.

### **Alternative Model Portfolio**

A model portfolio comprised of one or more Alternative Investment Funds was added as a type of Alternative Investment offered in the Alternative Investments Program. *See Item 4, Alternative Investment Advisory Program for more information.*

### **Platform Fee**

Updates were made to the description of the Platform Fee and Offset Credit structure, including change in the Platform Fee rate. *See Item 4.A., Platform Fee for more information.*

### **Bank Deposit Program**

Updates were made to describe the Morgan Stanley Sweep Banks' role in setting interest rates paid on deposits received through the Bank Deposit Program. *See Item 4.C, Cash Sweeps for more information.*

### **Update to the Disciplinary Information**

On December 9, 2024, the SEC entered into a settlement with MSWM regarding an administrative action. In this matter, MSWM, without admitting or denying the findings and without adjudication of any issue of law or fact, consented to the entry of the order that finds that MSWM willfully violated certain sections of the Investment Advisers Act of 1940 ("Advisers Act"), specifically Sections 206(2) and 206(4) and Rule 206(4)-7 promulgated thereunder. The SEC also finds that MSWM failed to supervise the FAs within the meaning of Section 203(e)(6) of the Advisers Act and/or Section 15(b)(4)(E) of the Securities Exchange Act of 1934. *See Item 9 in the ADV Brochure for further information.*

## Item 3: Table of Contents

Item 1: Cover Page .....	1
Item 2: Material Changes.....	2
Item 3: Table of Contents .....	3
Item 4: Services, Fees, and Compensation.....	4
A. General Description of Programs and Services .....	4
Alternative Investments Advisory Program .....	4
Alternative Investments Advisory-Custom Portfolio Program .....	5
Alternative Investments Advisory-Discretionary Manager Services .....	5
Other.....	6
Account Opening .....	6
Investment Restrictions .....	6
Account Statements and Performance Reviews .....	6
Risks.....	6
Tax and Legal Considerations.....	7
Fees .....	8
B. Comparing Costs.....	10
C. Additional Fees .....	11
Alternative Investments in Advisory Programs .....	11
Cash Sweeps.....	12
D. Compensation to Financial Advisors / Private Wealth Advisors .....	13
Item 5: Account Requirements and Types of Clients .....	14
Item 6: Portfolio Manager Selection and Evaluation .....	14
A. Selection and Review of Portfolio Managers and Funds for the Programs .....	14
Selection of Alternative Investments .....	14
Watch Policy .....	15
Focus List for Single Manager Hedge Funds and Fund of Hedge Funds.....	16
Calculating Portfolio Managers' Performance .....	16
B. Conflicts of Interest.....	16
Conflicts of Interest – Affiliate Acting as Portfolio Manager .....	16
Other Conflicts of Interest.....	16
Item 7: Client Information Provided to Portfolio Managers.....	19
Item 8: Client Contact with Portfolio Managers .....	20
Item 9: Additional Information.....	20
Disciplinary Information .....	20
Other Financial Industry Activities and Affiliations .....	21
Proxy Voting .....	23
Code of Ethics .....	23
Reviewing Accounts .....	23
Client Referrals and Other Compensation.....	24
Financial Information.....	24

## 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 you (“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](http://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 Morgan Stanley Sweep Banks, Program Banks and, if applicable, Money Market Funds (each 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”), and Alternative Investments Advisory-Discretionary Manager Services (“DMS”, together with AIA and CP, the “Programs”, or each a “Program”). 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**

AIA 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) affiliated and unaffiliated single manager pooled investment vehicles, such as hedge funds, real-estate funds, digital asset funds, private credit funds, private equity funds and venture capital funds; (2) affiliated and unaffiliated pooled 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; (3) certain hedge fund feeder funds established to invest in a single underlying investment vehicle (“each a HedgePremier Feeder”); (4) certain private equity, private credit or private real estate feeder funds (each an “Illiquid Feeder”); (5) certain special purpose vehicles established to acquire a particular underlying security or group of related securities or other assets (each an “SPV”); (6) funds that provide exposure to a diversified portfolio of securities in exchange for contributions of restricted securities (each an “Exchange Fund”); (7) direct, co-investment and/or secondary investments in private company securities; (8) privately placed variable annuities and privately placed life insurance; and (9) a model portfolio that is comprised of one or more Alternative Investment Funds (“Alternative Model Portfolio”). Certain Alternative Investments are not available in the Program.

After receipt of relevant information from and about you, including your investment objectives, risk tolerance, investment time horizon, and liquidity/withdrawal needs, MSWM will identify the Alternative Investments deemed appropriate for you from the Alternative Investments available on the Alternatives Approved List (as further described in *Item 6: Portfolio Manager Selection and Evaluation*). 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 Brochure, where available, for a discussion on their particular method of analysis and investment strategy.

Prior to investing, you should review the offering materials for Alternative Investments, in particular the terms of any restrictions on the premature termination or liquidation of your Alternative Investment. 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.

AIA is a non-discretionary program and the decision to participate in AIA and the selection of any Alternative Investment is made by you and is your responsibility. At any time, you may terminate your investment, subject to the restrictions applicable to the Alternative Investment, 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.

### **Alternative Investments Advisory-Custom Portfolio Program**

CP 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 and the CP Manager will provide you with 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, risk tolerance, financial information and any restrictions provided by you to MSWM and the CP Manager, the CP Manager will generate an Investment Policy Statement and identify appropriate Alternative Investments for your portfolio. The CP Manager will not be limited to the Alternatives Approved List and, therefore, may recommend Alternative Investments on which MSWM has not completed due diligence.

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

The CP Manager may recommend a change of Alternative Investments if your investment objectives or financial situation changes; or market conditions dictate a change, or if, for some other reason, another Alternative Investment would be more appropriate for you.

CP is a non-discretionary program 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**

DMS offers qualified clients the discretionary investment management services of an affiliated or third-party manager in a program where MSWM provides consulting and administrative services.

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 affiliated or a third-party portfolio manager (“DMS Manager”) on a fully discretionary basis. 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, investing, 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 perform due diligence on the Alternative Investments in which the DMS Manager may invest your assets. However, MSWM will perform due diligence on and periodically monitor the DMS Manager.

In DMS, you must 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 manager of each Alternative Investment as well as a fee to DMS Manager for their services as agreed between you and the DMS Manager.

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 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 upon which MSWM has not performed any diligence. This service is also available for Alternative Investments that were terminated from AIA but in which you have decided to remain invested. Clients that select this service will execute a separate client agreement related to Alternative Investments Performance Reporting. For such services, you will pay an annual fee of 0.25% of your in-scope Alternative Investment assets. This fee generally payable monthly, in advance, which may be waived or reduced at the sole discretion of MSWM. MSWM may also retain a non-advisory, ongoing distribution fee directly from the Alternative Investment or the manager of the Alternative Investment (if available). The performance information provided in a periodic performance report is based on information provided to MSWM by the manager of the Alternative Investment and is not independently verified by MSWM. 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.

**Other.** 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 must enter into the respective program's client agreement(s) (the "Client Agreement") with MSWM.

For AIA, the Client Agreement is the Single Advisory Contract or a similar client agreement (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.

For CP and DMS, you will be required to enter into a Client Agreement with MSWM as well as a separate agreement with the CP Manager or DMS Manager, as applicable.

You may also be required to execute a brokerage account agreement. All the terms of the Account Agreement and the brokerage agreement will set forth our mutual obligations regarding the Programs.

### **Investment Restrictions**

Your ability to impose reasonable restrictions on your investments in the Programs is limited. MSWM will determine in its reasonable judgment how to implement such restrictions. You cannot impose restrictions on the underlying investments and securities in an Alternative Investment.

Although we will accept reasonable restrictions, 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 CP or DMS Manager to determine what types of restrictions you may place on your account.

### **Account Statements and Performance Reviews**

We generally will not maintain custody of your Alternative Investments. Alternative Investments will be held with such custodians as selected by the manager of the applicable Alternative Investment. Generally, 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 reports show 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 can access these reports through MSWM's online account services site. To enroll your account in the online account service site, Morgan Stanley Online, at: <https://www.morganstanleyclientserv.com>, under "Account Documents". If, however, you would like to receive these reports by mail, please call 1-888-454-3965 or contact your Financial Advisor. 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.

In CP, MSWM will provide quarterly reports to you describing the performance of the Alternative Investments based on portfolio holdings information received from managers of the Alternative Investments 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.

### **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, or DMS Manager regarding the specific risks associated with the investments in your account.

**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, alternative investments can be highly illiquid, are speculative and not appropriate 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; indemnities; and “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 strategies 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 Alternative Investment, as well as your Client Agreement.

***Risks Relating to Money Market Funds.*** An investment in a money market fund is neither insured nor guaranteed by the Federal Deposit Insurance Corporation (“FDIC”) or any other government agency. You could lose money in money market funds. Although many money market funds 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 maintain a stable \$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 could be worth more or less than originally paid. Money market funds may, and in certain circumstances will, impose a fee upon the redemption of fund shares. Please review your money market fund’s prospectus to learn more about the use of redemption or liquidity fees.

In addition, if a money market fund that seeks to maintain a stable \$1.00 per share experiences negative yields, it also has the option of converting its stable share price to a floating share price, or to cancel a portion of its shares (which is sometimes referred to as a “reverse distribution mechanism” or “RDM”). Investors in money market funds that cancel shares will lose money and may experience tax consequences. Moreover, in some circumstances, money market funds may cease operations when the value of a fund drops below \$1.00 per share. In that event, the fund’s holdings will likely be liquidated and distributed to the fund’s shareholders. This liquidation process can be prolonged and last for months. During this 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 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.

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 or portfolio.

## **Tax and Legal Considerations**

Your 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 responsible for developing or evaluating 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.

Replacing an Alternative Investment may result in sales of securities and subject you to additional income tax obligations.

Investments in Alternative Investments entail different risks, including tax risks, than is the case for other types of investments. Investors in Alternative Investments typically hold “interests” of the Alternative Investments (as opposed to a share of corporate stock) and may be 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. Such claw-backs may be in connection with fund losses, regulatory violations, miscalculation of taxes, liabilities, indemnification, errors in valuation and other reasons. 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 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 federal or state tax returns, investors in Alternative Investments may need to obtain an extension for filing their federal or state 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 Investment generally cannot be used to offset income from another Alternative Investment (or any other source). The disallowed losses are suspended and carried forward 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**

You pay an asset-based fee to MSWM (“Morgan Stanley Advisory Fee”) for our investment advisory and portfolio implementation services and performance reporting as described in your Client Agreement. In CP and DMS you also pay a separate fee to the CP Manager or the DMS Manager, respectively, that is in addition to and not a part of the Morgan Stanley Advisory Fee. The maximum total annual Morgan Stanley Advisory Fee is 2.00%.

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 Morgan Stanley Advisory Fee that you pay to us. In CP or DMS, at your election, we may pay from your account assets, upon your instructions and 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.

MSWM may allocate a portion of the Morgan Stanley Advisory Fee to your Financial Advisor / Private Wealth Advisor and, if applicable, to an unaffiliated or affiliated due diligence service provider or other service provider.

**Platform Fee.** You will be charged a Platform Fee for the various support and administrative services we provide to maintain the platform on which your account and the Program resides. The Platform Fee is in addition to the Morgan Stanley Advisory Fee, is non-negotiable, and is generally applicable to all accounts in the Program. The following accounts and account types are not subject to the Platform Fee: Retirement Accounts covered by Title I of ERISA, 529 Plans, and accounts we classify as Institutional. Effective September 30, 2024, the Platform Fee will be a 0.0350%

annual asset-based fee. The Platform Fee is charged quarterly in arrears based on the closing market value of the assets in your account on the last business day of the billing quarter and will become due within fifteen (15) business days after the end of the billing quarter.

***Offset to the Platform Fee.*** We collect revenue from certain Investment Product providers (“Offset Revenue”) but which we credit to accounts subject to the Platform Fee, regardless of any Investment Product holdings or investments. Crediting this Offset Revenue to accounts subject to the Platform Fee is designed to address conflicts of interest associated with collecting the Offset Revenue from applicable Investment Product providers. For mutual funds, non-sweep money market funds, alternative investments, and certain ETFs, the Offset Revenue generally includes, as applicable, revenue share, support fees, and/or mutual fund administrative services fees, as discussed below.

Each billing quarter, we will allocate proportionately such Offset Revenue we receive from these sources to accounts subject to the Platform Fee (“Platform Fee Accounts”). The amount of Offset Revenue we will apply to a Platform Fee Account during any particular billing quarter will be up to the amount of the Platform Fee charged to that Platform Fee Account for the same billing quarter (“Offset Credit”).

The Offset Credit will generally be applied within fifteen (15) business days after the end of the previous billing quarter and is generally intended to reduce the impact of the Platform Fee. The amount of the Offset Credit is expected to vary quarter to quarter and may be less than the Platform Fee charged to your account for any billing quarter. To the extent we collect more Offset Revenue in a billing quarter than the amount of the Platform Fee, we will carryover such excess (“Carry Over Credit”) and apply it to the subsequent billing quarter to be allocated to accounts as described above.

Changing circumstances such as market conditions, a shift in investments away from Investment Products that provide revenue, or significant reallocation of investments to those that pay a lower amount of compensation will reduce the amount of Offset Revenue available to be credited. The amount of Offset Revenue available for crediting for any particular quarter will be reduced for the costs of third-party administrative expenses, if any, directly associated with the collection, calculation, and crediting of the Offset Revenue. Accounts will have no rights to the amounts of Offset Revenue collected by us until actually credited, including but not limited to amounts collected in a prior billing quarter. We can modify or discontinue the Offset Credit amount or mechanism at any time, but amounts collected by us prior to the effective time of any such change will be used to offset or reduce Platform Fees or fees payable by accounts, but not necessarily the accounts that generated such Offset Revenue. We reserve the right to stop collecting Offset Revenue entirely at any time and, if we do not receive Offset Revenue, the Offset Credit will be \$0. We have no obligation to attempt to maximize the collection of Offset Revenue during the time in which we are collecting it.

An account that is not subject to the Platform Fee during a billing quarter will not receive the Offset Credit for that billing quarter. As the Offset Credit is applied based on account value and not actual Investment Product holdings, accounts holding little to no Investments Products (or Investments Products that pay lessor

amounts of Offset Revenue) will disproportionately benefit from the credit applied. This is generally mitigated by subjecting those accounts to the Platform Fee. Additionally, Offset Revenue is not collected with respect to investments held in accounts that are not subject to the Platform Fee, including Retirement Accounts covered by Title I of ERISA, 529 Plans, and accounts we classify as Institutional.

***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, securities, or Alternative Investments. We reserve the right to decline to accept particular securities into the account or impose a waiting period before certain securities may be deposited. 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 must contribute the corresponding funds in cash to the account) at least six (6) business days before any deadlines set for contributions or withdrawals in the offering materials for the Alternative Investment.

No fee adjustment will be made during any billing period for withdrawals or deposits. No fee adjustment will be made during any billing period for appreciation or depreciation in the value of account assets during that period.

If the account is terminated by either party, you will be entitled to a prorated refund of any pre-paid Morgan Stanley Advisory Fee based on the number of days remaining in the billing month 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 net asset value, estimated or actual, as reported by the Performance Reporting Alternative Investment and shall be generally payable monthly in advance. MSWM does not independently verify such information. The fee shall not be charged on committed, but not yet funded, investments. This fee will generally be billed together with the Morgan Stanley Advisory Fee on your advisory assets at MSWM. The cost for such service is up to 0.25% annually, or as otherwise stated in your Morgan Stanley Alternative Investments Performance Reporting Agreement.

***Administrative Servicing Fee.*** Certain feeder funds such as the HedgePremier Feeders and Illiquid Feeders that are made available through AIA are organized for access by MSWM clients into specific underlying investment vehicles and as such, receive investor servicing support from MSWM in respect of the investors in the feeder funds. For such feeders, MSWM receives an administrative fee or administrative servicing fee (the “Administrative Servicing Fee”) from the general partner or manager of the feeder charged on an ongoing basis of generally up to 0.10% annually of your committed capital, invested capital, or the net asset value of your investment. This fee is in addition to the Morgan Stanley Advisory Fee. MSWM does not receive

the Administrative Servicing Fee in respect of your retirement account investing in HedgePremier Feeders through AIA. While you remain in AIA, your Financial Advisor will not receive any portion of the Administrative Servicing Fee. Please refer to the offering materials of the applicable feeder fund for details regarding the fees charged by the manager or general partner with respect to the feeder fund.

**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 each Alternative Investment. MSWM relies on you to promptly review these account statements and 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, another service provider, the CP Manager, or the DMS Manager, as applicable, (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, and (iv) MSWM is under no obligation to provide notice of, or compensation to you for, any such difference in valuations.

**Fees are Negotiable.** The Morgan Stanley Advisory Fee is negotiable based on a number of factors, including the type and size of the account and the range of services we provide.

The Morgan Stanley Advisory 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 Morgan Stanley Advisory Fee 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.** Fees are payable as described in the Client Agreement and in this ADV Brochure. Generally, the initial fee is due in full on the date of the first close of your initial alternative investment subscription and is based on the net asset value of the assets in the account allocated to alternative investments on or about that date. The initial fee payment generally covers the period from the initial closing of the first alternative investment through the last day of the applicable billing period and is prorated accordingly. Thereafter, fees are generally paid monthly in advance, based on the net asset value of all assets allocated to alternative investments on the last business day of the previous billing month, and are due promptly. The Client Agreement authorizes MSWM to deduct fees when due from the assets contained in the account.

**Breakpoints.** Fee rates 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 Morgan Stanley Advisory 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 ("Billing Relationship"), you may benefit from existing breakpoints. For example, if you have two accounts in the Billing Relationship, the 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 can be included for billing purposes, based on applicable rules and regulations and MSWM's policies and procedures. Even where accounts are eligible to be related under these policies and procedures, they will only be included in a Billing Relationship if this is specifically agreed between you and the Financial Advisor. For more information about which of your accounts are grouped in a particular Billing Relationship, please contact your Financial Advisor.

**Changes to Fees.** You agree and acknowledge that MSWM reserves the right to change the Morgan Stanley Advisory Fee that you have agreed to with your Financial Advisor upon notice to you.

**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 is provided to you at the outset of your relationship with us and is set forth in this Brochure and your Client Agreement. It is also provided 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 and services provided. 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.

However, in a brokerage account, you would not receive the investment advisory services and/or discretionary portfolio management services described in this Brochure. If you participate in the Program, you pay a fee, based on the market value of the account, for a variety of services and accordingly could pay more or less for such services than if you purchased such services separately (to the extent that such services would be available separately to you). Furthermore, the same or similar services to those available in the Program may be available at a lower fee in programs offered by other investment advisors. For certain investment styles there may be a mutual fund and an SMA offered by the same investment management firm and, therefore, the underlying investments in the SMA and the mutual fund may be substantially identical as those in an Alternative Investment. select the SMA as the investment product.

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.

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. For more information about the differences between brokerage and advisory accounts, please refer to our Form CRS (Client Relationship Summary) at [www.morganstanley.com/adv](http://www.morganstanley.com/adv) as well as the document entitled "Understanding your Brokerage and Investment Advisory Relationships" which is available at: <http://www.morganstanley.com/wealth-relationshipwithms/pdfs/understandingyourrelationship.pdf>.

### C. Additional Fees

If you open an account in one of the Programs described in this Brochure, you will pay us the Morgan Stanley Advisory Fee and the Platform Fee, as described above. These 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, including MS&Co., 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, over-the-counter equity, and foreign exchange ("FX") conversions in connection with purchases or sales of FX-denominated securities and with payments of principal and interest dividends on such securities);
- brokerage commissions or other charges resulting from transactions not effected through MSWM or our 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);

- servicing fees applicable upon termination of the Client Agreement;
- account closing/transfer costs;
- processing fees; and/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 Morgan Stanley Advisory 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.

Certain Alternative Investments available in the Programs described in this Brochure discount the fees charged to you as a result of your participation in an advisory program. On termination of your advisory account for any reason, or the transfer of the Alternative Investment interests out of your advisory account, we will inform the Alternative Investment managers of the termination of your participation in Programs described in this Brochure and seek to convert any advisory interests of Funds into interests that are available in non-advisory accounts or we may seek to have these advisory interests redeemed. Non-advisory interests generally have higher fees and expenses than the corresponding advisory interests, which may increase the cost of your investment and negatively impact investment performance.

In most instances, MSWM is entitled to receive fee payments from the Alternative Investment manager or its affiliates in connection with investments held by non-advisory clients. Therefore, MSWM has a conflict of interest in recommending Alternative Investments in the Programs, from which MSWM may receive fee payments outside of these Programs, over other securities where there are no such payments.

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.

Certain Alternative Investment funds are sponsored or managed by, or receive other services from, MSWM and its affiliates, which include, but are not limited to, Morgan Stanley Investment Management, Eaton Vance, Boston Management and Research, Calvert Research and Management, Atlanta Capital Management Company and Parametric Portfolio Associates. MSWM or the affiliated sponsor or manager (or other service provider) receive additional investment management fees and/or other fees from

these Alternative Investment funds. Therefore, MSWM has a conflict to recommend MSWM-affiliated Alternative Investments. In order to mitigate this conflict, Financial Advisors do not receive additional compensation for recommending proprietary and/or affiliated Alternative Investment funds. Additionally, affiliated Funds and sponsors are generally subject to the same economic arrangements with MSWM as those that MSWM has with third-party Funds.

### **Expense Payments and Fees for Data Analytics**

MSWM receives expense payments and fees for data analytics, recordkeeping and related services. 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. In connection with this activity, fund representatives may work closely with our branch offices and Financial Advisors to develop business strategies and support promotional events for clients and prospective clients, and educational activities. Some Fund families or their affiliates may reimburse MSWM in connection with these promotional efforts for certain expenses incurred by MSWM in connection with these promotional efforts, client seminars, and/or training programs. Fund families independently decide if and what they will spend on these activities, with some fund families agreeing to make substantial annual dollar amount expense reimbursement commitments. Fund families also invite our Financial Advisors / Private Wealth Advisors to attend fund family-sponsored events. Expense payments may include meeting or conference facility rental fees and hotel, meal and travel charges. For more information regarding the payments MSWM receives from fund families, please refer to the brochure titled "Alternative Investments" and the brochures titled "Mutual Fund Features, Share Classes and Compensation" and "ETF Revenue Sharing, Expense Payments and Data Analytics" (together, the "Mutual Fund and ETF Brochures"), which can be found at <https://www.morganstanley.com/disclosures>. These brochures are also available from your Financial Advisor on request.

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.

MSWM also provides Fund families, including but not limited to those with alternative investment Funds, with the opportunity to purchase data analytics regarding Fund sales. The amount of the fee depends on the level of data provided to the Fund families. We also offer sponsors of alternative investments a separate data analytics fee. Additional fees apply for those fund families that elect to purchase supplemental data analytics regarding other financial product sales at MSWM. For more information regarding these payments as well as others, please refer to the Alternative Investment, Mutual Fund and ETF Brochures described above.

### ***Conflicts of Interest regarding the Above-Described Expense Payments and Fees for Data Analytics***

Please note that the above-described fees and payments are specific to certain fund families. This fact presents a conflict of interest for MSWM and our Financial Advisors to promote and recommend those funds that make these payments rather than other eligible investments that do not make similar payments. Further, in aggregate, we receive significantly more support from fund families that provide significant sales expense payments and/or purchase data analytics. This in turn could lead our Financial Advisors and Branch Managers to focus on those fund families. In order to mitigate these conflicts, Financial Advisors and their Branch Managers do not receive additional compensation as a result of the expense payments and data analytics payments received by MSWM.

### **Cash Sweeps**

Generally, some portion of your account will be held in cash. If MSWM acts as custodian for your account, it will effect transactions of free credit balances in your account into interest bearing deposit accounts ("Deposit Accounts") established under the Bank Deposit Program ("BDP"). For most clients, BDP will be the designated cash sweep. The interest rates for BDP in your account will be tiered based upon the value of the BDP balances across your brokerage and advisory accounts. The BDP assets in your advisory accounts receive separate interest rates from deposits in your brokerage accounts and are set forth in: <https://www.morganstanley.com/wealth-general/ratemonitor>.

Generally, the rate you will earn on BDP will be lower than the rate on other available cash alternatives. In limited circumstances, such as for clients ineligible for BDP, 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 ("MSIM") or another MSWM affiliate. Pathway Funds are not included as an investment in the Cash Sweep.

It is important to note that free credit balances and allocations to cash, including assets invested in sweep vehicle investments, are included in the calculation of the Fee and the Platform Fee for your account, as described above.

If your account is a Retirement Account, you should read Exhibit B to this Brochure, entitled "Affiliated Money Market Funds Fee Disclosure Statement and Float Disclosure Statement".

MSWM, acting as your custodian, will effect sweep transactions only to the extent permitted by law and if you meet the eligibility criteria. Under certain circumstances (as described in the Bank Deposit Program Disclosure) eligible deposits in BDP may be sent to non-affiliated Program Banks; this additional feature may provide enhanced FDIC coverage to you as well as funding value benefits to the Morgan Stanley Sweep Banks. For eligibility criteria applicable to this additional feature and BDP generally, please refer to the Bank Deposit Program Disclosure Statement which is available at: [http://www.morganstanley.com/wealth-investmentstrategies/pdf/BDP\\_disclosure.pdf](http://www.morganstanley.com/wealth-investmentstrategies/pdf/BDP_disclosure.pdf)

*Conflicts of Interest Regarding Sweep Investments.* If BDP is your sweep, you should be aware that the Morgan Stanley 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 Morgan Stanley 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. The fee received by MSWM may affect the interest rate paid by the Morgan Stanley Sweep Banks on your Deposit Accounts. 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 Morgan Stanley 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, in its capacity as custodian, has a conflict of interest in connection with BDP being the default sweep, rather than an eligible Money Market Fund.

In addition, MSWM and the Morgan Stanley Sweep Banks and their affiliates receive other financial benefits in connection with the BDP. Through the BDP, each Morgan Stanley Sweep Bank will receive a stable, cost-effective source of funding. Each Morgan Stanley Sweep Bank intends to use deposits in the Deposit Accounts at the Morgan Stanley Sweep Banks 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 Morgan Stanley Sweep Banks and other costs of maintaining the Deposit Accounts, and the interest rate and other income earned by the Morgan Stanley Sweep Banks on those loans and investments made with the funds in the Deposit Accounts. The cost of funds for the Morgan Stanley Sweep Banks of deposits through the sweep program in ordinary market conditions is lower than their cost of funds through some other sources, and the Morgan Stanley Sweep Banks also receive regulatory capital and liquidity benefits from using the sweep program as a source of funds as compared to some other funding sources. The income that a Morgan Stanley Sweep Bank will have the opportunity to earn through its lending and investing activities in ordinary market conditions is 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.

Morgan Stanley has added Program Banks to the BDP in order to maximize the funding value of the deposits in BDP for the Morgan Stanley Sweep Banks. On any given day, you may have deposits that are sent to a Program Bank depending on the funding value considerations of the Morgan Stanley Sweep Banks and the capacity of the depository networks that allocate deposits to the Program Banks. In addition to the benefits to the Morgan Stanley Sweep Banks, you may also benefit from having deposits sent to the Program Banks by receiving FDIC insurance on deposit amounts that would otherwise be uninsured. In return for receiving deposits through BDP, the Program Banks provide other deposits to the Morgan Stanley Sweep Banks. This reciprocal deposit relationship provides a low-cost source of funding, and capital and liquidity benefits to both the Program Banks and the Morgan Stanley Sweep Banks. The Program Banks pay a fee to a Program Administrator in connection with the reciprocal deposits, but the cost of that fee is not borne directly by Morgan Stanley clients.

The Morgan Stanley Sweep Banks have discretion in setting the interest rates paid on deposits received through BDP and are under no legal or regulatory requirement to maximize those interest

rates. The Morgan Stanley Sweep Banks and the Program Banks can and sometimes do pay higher interest rates on some deposits they receive directly than they pay on deposits received through BDP. This discretion in setting interest rates creates a conflict of interest for the Morgan Stanley Sweep Banks. The lower the amount of interest paid to customers, the greater is the “spread” earned by the Morgan Stanley Sweep Banks on deposits through the Program, as explained above. By contrast, money market funds (including Morgan Stanley affiliated money market funds) have a fiduciary duty to seek to maximize their yield to investors, consistent with their disclosed investment and risk management policies and regulatory constraints.

If your cash sweeps to a Money Market Fund, 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 cash sweeps to a Money Market Fund, you understand that MSIM (or another MSWM affiliate) will receive compensation, including management fees and other fees, for managing the Money Market Fund. In addition, we receive compensation from such Money Market Funds at rates that are set by the funds’ prospectuses and currently range, depending on the program in which you invest, from 0.10% per year (\$10 per \$10,000 of assets) to 0.25% per year (\$25 per \$10,000 of assets) of the total Money Market Fund assets held by our clients. Please review your Money Market Fund’s prospectus to learn more about the compensation we receive from such funds.

We have a conflict of interest as we have an incentive to only offer affiliated Money Market Funds in the Cash Sweep program, as MSIM (or another MSWM affiliate) will receive compensation for managing the Money Market Fund. We also have a conflict of interest as we offer affiliated funds and share classes that pay us more compensation than other funds and share classes. You should understand these costs because they decrease the return on your investment. In addition, we receive additional payments from Morgan Stanley Investment Management Inc. in the event a Money Market Fund waives certain fees in a manner that reduces the compensation that we would otherwise receive.

We either rebate to clients or do not receive compensation on sweep Money Market Fund positions held in our fee-based advisory account programs.

Unless your account is a Retirement Account, the Fee will not be reduced by the amount of the Money Market Fund’s applicable fees. 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. CP and DMS have a minimum account size of \$25,000,000, subject to exception approval by the CP Manager or the DMS Manager, respectively.

Minimum investment 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 an Alternative, you must meet certain eligibility and investment minimums imposed by MSWM. You will also be subject to additional investor criteria, such as "accredited investor" under Regulation D of the Securities Act of 1933, as amended, "qualified client" under the Advisers Act and/or "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, 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. Managers may only participate in the AIA program if they are on MSWM's Alternatives Approved List (described below). Managers often offer more than one Alternative Investment. Additionally, 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, 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 appropriateness 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, investment and business risk due diligence on Alternative Investments is provided by MSWM through (i) its Global Investment Manager Analysis Group (known as "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, in some cases, an advisory basis. Certain Alternatives Investments on the Alternatives Approved List are available to qualified clients in AIA.

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.

### **Changes to Status of Alternative Investments in the AIA Program**

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 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” and “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 new investments through MSWM. However, you can continue to remain invested in such Alternative Investment. 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 such 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), MSWM will cease acting as your investment adviser with respect to that Alternative Investment 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 remain invested in that 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, you may request that MSWM continue to provide you with performance reports and account statements with respect to your investments in such Alternative Investments, as described in Item 4 above.

If you wish to continue to maintain your investment in an Alternative Investment 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 Alternative Investment in a brokerage account. You may ask your Financial Advisor / Private Wealth Advisor about these options.

We may also terminate managers from AIA 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.

***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 Alternative Investment (e.g., the departure of the manager of an Alternative Investment or a team of professionals), the Due Diligence Service Provider will evaluate the CP Manager, DMS Manager or the Alternative Investment 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 Alternative Investment may remain eligible for investment. The GIMA designation for the CP Manager, DMS Manager or the Alternative Investment will generally not be altered solely because this evaluation is in progress. MSWM will not necessarily notify clients of any such evaluation.

***HedgePremier.*** In certain circumstances, when MSWM removes an Alternative Investment in which a HedgePremier Feeder invests (an “Underlying Fund”) from the Alternatives Approved List, the Underlying Fund’s general partner or manager may liquidate the HedgePremier Feeder’s full investment in such Underlying Fund. Any such decision to liquidate such Underlying Fund will be made solely by the Alternative Investment general partner or manager. MSWM will not have any ability to require, or prevent, such liquidation.

### **Watch Policy**

MSWM has a “Watch” policy for Alternative Investments available for investment. Watch status indicates that, in reviewing an Alternative Investment, 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 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 Alternatives 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 "Changes in Availability of Alternative Investments" above.

**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 or lack of a business relationship in determining whether to include or maintain an Alternative Investment, a CP Manager, or a DMS Manager on the Alternatives 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 Alternative Investment. These valuations (and any corresponding benchmark index values) may be estimates, may be up to one year 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 liquid Alternative Investment, your account documents may use an index as a benchmark ("Alternative Investments Index"). Each Alternative Investments Index is updated periodically, and values are subject to change. MSWM is not obligated to notify you of any such changes. The Alternative Investments Index values are likely to be more up to date than the data for the Alternative Investments for which it is the benchmark. You cannot invest in an Alternative Investment Index. For more information and a sample of the type of Alternative Investment Index that may be selected see <https://www.hfr.com>.

## **B. Conflicts of Interest**

### **Conflicts of Interest – Affiliate Acting as Portfolio Manager**

In AIA, where permitted by law and except for Retirement Accounts, 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 / Private Wealth 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

These relationships create a conflict of interest for us or our affiliates as there is a financial incentive to recommend the investments.

### **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). In such instance, your Financial Advisors and MSWM 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 appropriate 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 also DMS Managers pursuant to which MSWM will agree to introduce clients to the adviser to provide the same portfolio advisory services offered through that same adviser in DMS. Under these “solicitation” relationships, MSWM will receive compensation from the adviser 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 the same adviser who is also 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 in a HedgePremier Feeder on a placement basis, they do not pay an ongoing advisory fee. However, they pay an upfront placement fee and MSWM receives a higher HedgePremier Administrative Servicing Fee on such investment. 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. Under these circumstances, when the 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 client orders on a pro rata basis to address the oversubscription of the Alternative Investment until MSWM capacity is met. If the application of the reduction results in an additional fee imposed by the Alternative Investment manager or such a reduction would result in a client not meeting the minimum allowable investment agreed upon with the Alternative Investment manager or required by law, MSWM may create a “floor” minimum investment amount to ensure such pro-rata reduction(s) would not cause such additional fees to be charged or such minimums not to be 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, in most instances, 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 Morgan Stanley Advisory

Fee, we credit such fee to your account as described further in Item 4.C. Also, we do not share this money with your Financial Advisor / Private Wealth 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 an incentive to recommend Alternative Investments in your account, or to recommend 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 Fees for 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 any 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.

***Extensions of Credit by MSWM and Affiliates.*** In connection with your investments made through the Programs, you may pledge eligible Alternative Investments as collateral for certain extensions of credit made by MSWM or its affiliates. To the extent that MSWM or an affiliate receives profits in connection with such extensions of credit, any such profits shall be separate and apart from, and in addition to, any profit MSWM derives from any Program. MSWM and its affiliates have a conflict of interest in recommending a purchase or allocation to Alternative Investments and an extension of credit in connection with such Alternative Investments, if such assets pledged as collateral for the extension of credit need to be liquidated by MSWM or an affiliate in connection with the exercise of rights and remedies under the terms of the extension of credit.

***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 PRC. 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 between those trades and the investment advisory services that MSWM or a manager provides 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, for various clients (including issuers of securities that may be recommended for purchase or sale by clients or are otherwise held in client accounts), and for investment managers in the Program. 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 issuers or 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 perform 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 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 as well as our 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, MSWM or its 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) of 5% or more in certain Trading Systems or their parent companies, including MEMEX Holdings LLC; OTCDeriv Limited; EOS Precious Metals Limited; CreditDeriv Limited; FXGLOBALCLEAR; Dubai Mercantile Exchange; Japan Securities Depository Center Inc.; Yensai.com Co., Ltd; and Octaura Holdings LLC.

The Trading Systems on which MSWM trades or effects securities 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. receive 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 and services, 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. Also, in the event of corporate actions with respect to securities held in client accounts, to the extent such corporate actions result in exchanges, tender offers or similar transactions, MSWM and/or its affiliates may participate in and/or advise on such transactions and receive compensation. The interest of MSWM’s affiliates in these corporate actions may conflict with the interest of MSWM clients. In addition, where an affiliate of MSWM is representing or advising the issuer in a transaction, the interest of the issuer may conflict with client interests and create a potential conflict of interest for MSWM. MSWM also provides various services to issuers, their affiliates and insiders, including but not limited to, stock plan services and financial education for which MSWM receives compensation.

***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.

***Affiliated Managers.*** From time to time, we may offer managers in the Programs that are affiliated with us including in AIA, CP

and DMS as noted above. Although some investment managers and/or some investment strategies may be available in more than one Program, each program may offer investment managers and other features that are not available in other MSWM programs. We and our affiliates will receive more aggregate fees when you invest with a manager affiliated with us than if you invest with a manager that is not affiliated with us. Thus, MSWM and its Financial Advisors have a conflict of interest when identifying affiliated managers to you. Similarly, if a manager is not affiliated with us but we have an ownership share in the manager, we and our Financial Advisors have a conflict of interest in identifying that manager to you because, as an owner, we benefit from the manager’s profits.

***Nonpublic Information.*** In the course of investment banking or other activities, MSWM, managers of 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 for your account. You acknowledge and agree that MSWM, managers of Alternative Investments, and each of our and their respective affiliates and agents will not be free to divulge or to act upon this information with respect to our or their advisory or brokerage activities, including our and their activities with regard to your account. This may adversely impact the investment performance of your account.

***Benefits to Financial Advisors.*** Client understands that MSWM, its Financial Advisors, or MSWM affiliates may receive a financial benefit from an Alternative Investment manager through referrals of brokerage or investment advisory accounts to MSWM or to the Financial Advisor or MSWM affiliates by such manager.

***Other Investment Products Available.*** Alternative Investment managers may offer to the public other investment products such as other alternative investment funds, separately managed accounts, and mutual funds with similar investment styles and holdings as those investment products offered through the Programs. Such products may be offered at differing fees and charges that may be higher or lower than the fees imposed by MSWM under an on of the Programs.

## **Item 7: Client Information Provided to Portfolio Managers**

We may send certain information about you and your account to the manager or other service provider of your Alternative Investment, the CP Manager, or the DMS Manager, as applicable. This information may include your name, whether or not your account is taxable, state/country of residence, your risk tolerance, 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. If you are an entity, we may request from you and provide information about each key controller, direct owner and indirect owner of the entity and, if the key controller or owner is an individual, further information about the individual as noted above. In certain instances, the information may be provided to the manager or other service provider of your Alternative Investment in order for you to invest or maintain an investment.

We may also provide updated information to the CP Manager or DMS Manager when needed for the manager to manage or provide services to your account; such as, for example, changes in restrictions on the securities, or categories of securities, that your account can hold, updates to the information you provide to us relating to your key controllers, and your direct and indirect owners.

The CP Manager and DMS Manager can also request information directly from you, from time to time.

## **Item 8: Client Contact with Portfolio Managers**

You can contact your Financial Advisor at any time during normal business hours.

Additionally, we do not restrict you from contacting and consulting with the managers of your Alternative Investment Investment.

In CP and DMS, you have a direct contractual relationship with the CP Manager or DMS Manager and may contact them directly at any time.

## **Item 9: Additional Information**

### **Disciplinary Information**

This section contains information on certain legal and disciplinary events.

- 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 (Citigroup Global Markets Inc., a predecessor to MSWM, 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.

- On May 12, 2020, the SEC entered into a settlement order with MSWM settling an administrative action which relates to certain information provided in marketing and client communications to retail advisory clients in MSWM's wrap fee programs with third-party managers and MSWM's policies and procedures related to trades not executed at MSWM. In the applicable wrap fee programs, the third-party manager has the discretion to place orders for trade execution on clients' behalf at a broker-dealer other than Morgan Stanley. MSWM permits managers to "trade away" from MSWM in this manner in order to seek best execution for trades. The SEC found that, from at least October 2012 through June 2017, MSWM provided incomplete and inaccurate information indicating that MSWM executed most client trades and that, while additional transaction-based costs were possible, clients did not actually incur them in the ordinary course. The SEC found that this information was misleading for certain retail clients because some wrap managers directed most, and sometimes all, client trades to third-party broker-dealers for execution, which resulted in certain clients paying transaction-based charges that were not visible to them. The SEC also found that, on occasion, wrap managers directed trades to MSWM-affiliated broker-dealers in which clients incurred transaction-based charges in violation of MSWM's affiliate trading policies without detection by MSWM. The SEC noted in the order that it considered certain remedial acts undertaken by MSWM in determining to accept the order, including MSWM enhancing its disclosures to clients, implementing training of financial advisors, enhancing relevant policies and procedures, and refunding clients' transaction-based charges paid to Morgan Stanley affiliates. The SEC found that MSWM willfully violated certain sections of the Investment Advisers Act of 1940, specifically Sections 206(2) and 206(4) and Rule 206(4)-7 thereunder. MSWM consented, without admitting or denying the findings and without adjudication of any issue of law or fact, to a censure; to cease and desist from committing or causing future violations; and to pay a civil penalty of \$5,000,000.
- On December 9, 2024, the SEC entered into a settlement order with MSWM settling an administrative action, which relates to misappropriation of client funds in brokerage and advisory accounts by four former MSWM financial advisors ("FAs"). The SEC found that MSWM failed to adopt and implement policies and procedures reasonably designed to prevent personnel from misusing and misappropriating funds in client accounts and that MSWM's inadequate policies and procedures and systems to implement them led to its failure reasonably to supervise the four FAs, who misappropriated funds from client and customer accounts while employed at MSWM. Specifically, the SEC found that MSWM failed to

adopt and implement policies and procedures reasonably designed to prevent and detect unauthorized externally-initiated ACH payments and unauthorized cash wires. Upon being informed of the potential unauthorized activity in the customer accounts of two of the FAs, MSWM promptly investigated the matters, terminated the FAs, reported the fraud to law enforcement agencies, and fully repaid the affected clients. MSWM also conducted a retroactive review of payment instructions for externally-initiated ACH payment instructions, which led to the identification of misconduct by the other two FAs. MSWM accordingly terminated the other two FAs and reported the misconduct to SEC staff. On its own initiative, MSWM instituted new written procedures to address the conduct at issue and retained an independent compliance consultant to perform a review and assessment. The SEC found that MSWM willfully violated section 206(4) of the Investment Advisers Act of 1940 ("Advisers Act") and Rule 206(4)-7 thereunder. The SEC also found that MSWM failed to supervise the FAs within the meaning of Section 203(e)(6) of the Advisers Act and/or Section 15(b)(4)(E) of the Securities Exchange Act of 1934. 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 the retention of an Independent Compliance Consultant to review MSWM's policies, procedures and controls related to the conduct in the Order and to pay a civil penalty of \$15,000,000.

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

## Other Financial Industry Activities and Affiliations

Morgan Stanley ("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. MSWM is 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, and Morgan Stanley Investment Management Inc., Morgan Stanley Cayman Ltd., Morgan Stanley AIP Cayman GP Ltd., Morgan Stanley Alternative Investment Partners LP, and Eaton Vance Management) and commodity trading advisers (Ceres Managed Futures LLC, Morgan Stanley AIP GP LP and Morgan Stanley Investment Management Inc., Eaton Vance Management). 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 in limited circumstances as permitted by 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. See Item 6.B above for conflicts arising from our affiliation with MS&Co. and its affiliates.

**Related Investment Advisors and Other Service Providers.** MSWM has related persons that are the investment advisers to mutual funds or Alternative Investments in various investment advisory programs, including MSIM, Morgan Stanley Investment Management Limited and Consulting Group Advisory Services LLC, as well as Eaton Vance Management and its affiliates. 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, 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 may also serve as a CP Manager or DMS Manager to clients in CP and DMS.

MSIM 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.

### **Market Transition Away from LIBOR.**

The following applies to holders of products directly or indirectly linked to the London Interbank Offered Rate ("LIBOR") or the Secured Overnight Financing Rate ("SOFR") and investors that are considering purchasing such products. Depending on your current holdings and investment plans, this information may or may not be applicable to you.

LIBOR had been a widely used interest rate benchmark in bond, loan and derivative contracts, as well as consumer lending instruments such as mortgages. However, as a result of concerns with the integrity of LIBOR and how it is determined, LIBOR will cease to be published and will be replaced by alternative reference rates.

Specifically, overnight and one-, three-, six- and 12-month USD LIBOR will no longer be published after June 30, 2023. However, regulators have indicated that the time until then is to be used only for managing existing LIBOR-based products. All settings for GBP, EUR, JPY and CHF LIBOR, and one-week and two-month settings for USD LIBOR, are no longer being published, although synthetic versions of GBP and JPY LIBOR rates will be published for a period of time. The committee convened by the U.S. Federal Reserve Board and the Federal Reserve Bank of New York, the Alternative Reference Rates Committee (ARRC), has selected SOFR as the recommended alternative benchmark rate to USD LIBOR.

The market transition away from LIBOR to alternative rates is complex and could have a range of impacts on financial products and transactions directly or indirectly linked to LIBOR. For example, the fallback provisions in your LIBOR-based products, or the absence thereof, could have an adverse effect on the value of such products as well as your investment strategy. Documentation governing existing LIBOR-based products may contain "fallback provisions", which provide for how the applicable interest rate will be calculated if LIBOR ceases or is otherwise unavailable. Fallback provisions can materially differ across products and even within a given asset class. Furthermore, such provisions may not contemplate alternative reference rates such as SOFR (in particular in older documentation) and/or may result in increased uncertainty and change the economics of the product when LIBOR

ceases. Clients utilizing hedging strategies may also face basis risk due to inconsistent fallback provisions in their various investments. Recently, federal legislation was signed into law that will provide for a SOFR-based rate plus a spread to replace LIBOR for those contracts without effective fallback provisions.

With respect to an investment in SOFR-linked products and products that will fall back to SOFR, you should understand the terms of the particular product and the related risks. The composition and characteristics of SOFR are not the same as LIBOR and, as a result, SOFR may not perform in the same way as LIBOR would have. Further, the SOFR-linked products that have been issued to date apply different market conventions to calculate interest and therefore these products have different risks and considerations.

Affiliates of MSWM participate on central bank committees that have been selecting alternative rates and developing transition plans for trading these new rates. In addition, MSWM and its affiliates may have interests with respect to LIBOR- and SOFR-linked products that conflict with yours as an investor. As with any investment, make sure you understand the terms of any LIBOR- and SOFR-based products you hold and the terms of those that you are considering purchasing. Other products and services offered by or through MSWM or its affiliates, such as loans and mortgage products, may have different terms and conditions and may be affected by the potential replacement of LIBOR differently than LIBOR-based securities.

This is a developing situation and the above information is subject to change. For more information on the potential replacement of LIBOR, the recommended alternative rate, SOFR, and certain considerations relating to LIBOR- and SOFR-linked products, please see [www.morganstanley.com/wm/LIBOR](http://www.morganstanley.com/wm/LIBOR). Please also contact a member of your Morgan Stanley team for information, including if you have questions about whether you hold LIBOR-based products.

## Proxy Voting

MSWM does not offer proxy voting services to its clients in its AIA, DMS and CP programs. Clients in such programs may elect to retain authority and responsibility to vote proxies for their account or delegate discretion to vote proxies to a third party (other than MSWM). Any proxies that you receive in relation to Alternative Investments in your account will generally be provided directly from the administrator, custodian or transfer agent of the Alternative Investment.

We cannot advise you on any particular proxy solicitation. We will not provide advice or take action with respect to legal proceedings (including bankruptcies) relating to the securities in your account.

## Code of Ethics

The MSWM US Investment Advisory Code of Ethics (“Code”) applies to MSWM’s employees, supervisors, officers and directors engaged in offering or providing investment advisory products and/or services (collectively, the “Access Persons”). In essence, the Code prohibits Access Persons 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. Access Persons 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 by the individuals, branches and departments that they supervise.

- The Code generally operates to protect against conflicts of interest either by subjecting activities of an Access Person to specified limitations (including pre-approval requirements) or by prohibiting certain activities. Key provisions of the Code include: The requirement for certain Access Persons, 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 Access Persons to provide initial and annual reports of holdings in their Access Persons 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 U.S. Political Contribution and Political Solicitation Activity.

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

*See Item 6.B above, for a description of Conflicts of Interest.*

## Reviewing Accounts

At account opening, your Financial Advisor reviews your account to ensure that it and your investment strategy are appropriate for you in light of your investment objectives, risk tolerance, and financial circumstances.

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. We 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 appropriate 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)-1 of the Advisers Act. If you open an account 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 sweep 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) cannot 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 are generally paid to MSIM MSWM and/or their 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 reasonably 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 is 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 is 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 December 31, 2024, and is subject to change. Please refer to the funds’ current prospectuses, statements of additional information and annual reports for more information.

<b>Fund</b>	<b>Advisory Fee</b>	<b>Distribution and Service Fees</b>	<b>Shareholder Service Fee</b>	<b>Other Expenses</b>	<b>Total Annual Fund Operating Expenses</b>	<b>Total Annual Fund Operating Expenses After Fee Waivers and/or Expense Reimbursements</b>
MSILF Government Securities- Participant Share Class	0.15%	0.25%	0.25%	0.08%	0.73%	0.45%
MS U.S. Government Money Market Trust	0.15%	N/A	0.10%	0.11%	0.36%	0.36%

**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 MSWM (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.