Western Asset Managed Municipals Portfolio
Select UMA

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Western Asset's Municipal strategies seek to provide the greatest income exempt from regular, US income tax, consistent with preservation of capital. Western Asset’s municipal strategy seeks to maximize investment returns while providing relative safety and liquidity by primarily investing in investment grade securities. Municipal bonds offer the advantage of a class of securities that typically is exempt from federal taxes and in some instances exempt from state taxes, making them an appealing alternative to other taxable fixed income investments. The Municipal investment team (the “team”) believes that recognizing changes in the municipal bond market is key to generating consistent, superior returns. The team employs both a top-down and bottom-up approach to portfolio management. The portfolio management team collects and analyzes proprietary high grade credit and quantitative research and leverages state-of-the-art analytical tools to create portfolios designed to match client criteria and outperform their respective benchmarks. The investment team adheres to a disciplined investment process supported by analytics and risk sensitivity in the allocation and selection phase. Within the team’s active management style, they develop both long-term strategic duration and short-term tactical duration positions. The firm’s sector specialists can quickly respond to rapidly changing market conditions, providing the flexibility to take advantage of market opportunities while adhering to client’s specific investment program. The Firm’s Risk Analytics and Portfolio and Quantitative Analysis teams actively and independently monitor overall portfolio construction and challenge the investment team on a regular basis, monitoring risk profiles on specific and the overall portfolio construction.

**PRODUCT OVERVIEW**
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**TARGET PORTFOLIO CHARACTERISTICS**
- Number of bond holdings: 48 to 55
- Average maturity: 12.39 yrs.
- Average duration: 4.3 to 4.7 yrs.
- Average coupon: 4.8 to 4.9%
- Average turnover rate: 25 to 55%

**PORTFOLIO STATISTICS**

<table>
<thead>
<tr>
<th></th>
<th>12/19</th>
<th>06/19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of bond holdings</td>
<td>19</td>
<td>19</td>
</tr>
<tr>
<td>Yield</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Distribution Rate</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Avg maturity</td>
<td>12.39 yrs.</td>
<td>12.98 yrs.</td>
</tr>
<tr>
<td>Avg duration</td>
<td>6.24 yrs.</td>
<td>6.33 yrs.</td>
</tr>
<tr>
<td>Avg coupon</td>
<td>4.5%</td>
<td>4.7%</td>
</tr>
</tbody>
</table>

**FIXED INCOME SECTOR DISTRIBUTION (%)**

<table>
<thead>
<tr>
<th>Sector</th>
<th>12/19</th>
<th>09/19</th>
<th>06/19</th>
<th>03/19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue Bonds</td>
<td>68.27</td>
<td>82.70</td>
<td>83.68</td>
<td>71.79</td>
</tr>
<tr>
<td>Other</td>
<td>10.23</td>
<td>10.02</td>
<td>8.40</td>
<td>14.08</td>
</tr>
<tr>
<td>General Obligation Bonds</td>
<td>20.86</td>
<td>6.98</td>
<td>7.57</td>
<td>10.47</td>
</tr>
<tr>
<td>Pre-Refunded Bonds</td>
<td>0.64</td>
<td>0.30</td>
<td>0.35</td>
<td>3.66</td>
</tr>
</tbody>
</table>

*Total may not equal 100% due to rounding.
**Index : BC Muni

If this profile shows related performance, see the section titled "Related Performance" in the disclosures for important information about the performance shown prior to the inception of the Morgan Stanley Select UMA Program. The subsequent pages contain important disclosures and a glossary of terms. Information as of December 31, 2019, unless otherwise noted and is subject to change.
MANAGER’S INVESTMENT PROCESS

- The Municipal Team will begin by selecting investment grade municipal bond securities that they expect will best meet the specific objectives, including preservation of capital and maximizing current income exempt from regular deferral income tax. Municipal securities have unique characteristics requiring expert, market-specific knowledge for prudent investment decisions.
- Generally, the Team will look to select investment grade securities that can maximize risk-adjusted returns while providing safety and liquidity.
- Ultimately, any bond that is under consideration for investment will be valued as to where it should trade based on fundamental credit criteria, an evaluation of the prospects for its sector of the market, coupon, maturity, structure and liquidity.
- On a daily basis, the Team will calculate average spreads for a given sector, as well as spreads within ratings, spreads within maturities and spreads between rating categories. Divergences are studied to determine why they occurred and if there is an opportunity for the relationship to revert back to the norm.
- When applicable the Municipal Team will manage taxable versus tax-exempt exposure in an effort to optimize taxable equivalent income.

RISK CONSIDERATIONS

Investing in securities entails risks, including: Municipal may realize gains, and shareholders will incur a tax liability from time to time. Income from the portfolios that invest in them are subject to state and local taxes and may at times be subject to the alternative minimum tax. It’s important to note that a portfolio concentrating in a single state is subject to greater risk of adverse economic conditions and regulatory changes than a portfolio with broader geographical diversification. Fixed Income securities may be sensitive to changes in prevailing interest rates. When rates rise the value generally declines. Growth investing does not guarantee a profit or eliminate risk. The stocks of these companies can have relatively high valuations. Because of these high valuations, an investment in a growth stock can be more risky than an investment in a company with more modest growth expectations. Value investing does not guarantee a profit or eliminate risk. Not all companies whose stocks are considered to be value stocks are able to turn their business around or successfully employ corrective strategies which would result in stock prices that do not rise as initially expected. Bonds rated below investment grade may have speculative characteristics and present significant risks beyond those of other securities, including greater credit risk and price volatility in the secondary market. Investors should be careful to consider these risks alongside their individual circumstances, objectives and risk tolerance before investing in high-yield bonds. If a strategy expects to hold a concentrated portfolio of a limited number of securities, it should be noted that a decline in the value of these investments would cause the portfolio’s overall value to decline to a greater degree than that of a less concentrated portfolio.

PORTFOLIO’S MATURITY STRUCTURE (%) *

<table>
<thead>
<tr>
<th>Maturity Structure</th>
<th>12/19</th>
<th>09/19</th>
<th>06/19</th>
<th>03/19</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 to 2 Years</td>
<td>10.33</td>
<td>0.00</td>
<td>11.64</td>
<td>13.33</td>
</tr>
<tr>
<td>2 to 4 Years</td>
<td>3.73</td>
<td>0.00</td>
<td>3.96</td>
<td>4.02</td>
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<tr>
<td>4 to 6 Years</td>
<td>5.86</td>
<td>0.00</td>
<td>0.47</td>
<td>11.34</td>
</tr>
<tr>
<td>6 to 8 Years</td>
<td>11.48</td>
<td>0.00</td>
<td>1.74</td>
<td>16.18</td>
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<tr>
<td>8 to 12 Years</td>
<td>22.96</td>
<td>0.00</td>
<td>30.68</td>
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<tr>
<td>12 to 17 Years</td>
<td>21.67</td>
<td>0.00</td>
<td>28.20</td>
<td>9.59</td>
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<tr>
<td>Over 17 Years</td>
<td>23.97</td>
<td>0.00</td>
<td>23.31</td>
<td>27.47</td>
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<tr>
<td>Cash/Cash Equivalents</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
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</tr>
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PORTFOLIO’S CREDIT QUALITY STRUCTURE (%) *

<table>
<thead>
<tr>
<th>Credit Quality Structure</th>
<th>Investment Grade</th>
<th>12/19</th>
<th>09/19</th>
<th>06/19</th>
<th>03/19</th>
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<tbody>
<tr>
<td>AAA</td>
<td>18.38</td>
<td>16.49</td>
<td>15.43</td>
<td>20.46</td>
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<td>AA</td>
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<td>41.98</td>
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<td>42.76</td>
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<tr>
<td>A</td>
<td>28.76</td>
<td>35.09</td>
<td>34.01</td>
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<tr>
<td>BBB</td>
<td>5.55</td>
<td>4.04</td>
<td>5.15</td>
<td>4.48</td>
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</tbody>
</table>

Below Investment Grade

<table>
<thead>
<tr>
<th>Investment Grade</th>
<th>BBB</th>
<th>BB</th>
<th>B</th>
<th>Below B</th>
<th>Not Rated</th>
<th>Cash/Cash Equivalents</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0.91</td>
<td>0.70</td>
<td>0.79</td>
<td>0.93</td>
<td>0.00</td>
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<td></td>
<td>0.15</td>
<td>0.05</td>
<td>0.06</td>
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<td>0.00</td>
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<tr>
<td></td>
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<td>0.00</td>
<td>0.00</td>
<td>2.50</td>
<td>1.65</td>
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<tr>
<td></td>
<td>2.50</td>
<td>1.65</td>
<td>2.18</td>
<td>1.09</td>
<td>0.00</td>
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<tr>
<td></td>
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<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
</tbody>
</table>

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RISK/RETURN ANALYSIS - 5 YEARS ENDING 12/31/19

AVERAGE ANNUAL TOTAL RETURN (%) - PERIODS ENDING 12/31/19

INVESTMENT RESULTS

PORTFOLIO'S QUARTERLY RETURNS (%)

PORTFOLIO'S RISK STATISTICS - PERIODS ENDING 12/31/19

PORTFOLIO DIVERSIFICATION - R²(INCEPTION THROUGH 12/14)+

1. Statistics are calculated using gross of fee performance only.
2. BC Muni was used as the primary benchmark and the 90-Day T-Bills Index as the risk-free benchmark.

See important notes and disclosures pages for a discussion of the sources of the performance data used to calculate the performance results and related analyses shown above.
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GIMA has a "Watch" policy and may describe a Focus List or Approved List investment product as being on "Watch" if GIMA identifies specific areas that (a) merit further evaluation by GIMA and (b) may, but are not certain to, result in the investment product becoming "Not Approved". The Watch period depends on the length of time needed for GIMA to conduct its evaluation and for the investment manager to address any concerns. GIMA may, but is not obligated to, note the Watch status in this report with a "W" or "Watch" on the cover page.

For more information on the Focus List, Approved List, and Watch processes, please see the applicable Morgan Stanley ADV brochure (www.ms.com/adv). Your Financial Advisor or Private Wealth Advisor can provide on request a copy of a paper entitled "GIMA: At A Glance".

ADDITIONAL DISCLOSURES

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Actual portfolio statistics may vary from target portfolio characteristics.

The Model Portfolio Provider or Investment Manager may use the same or substantially similar investment strategies, and may hold similar portfolios of investments, in other portfolios or products it manages (including mutual funds). These may be available at Morgan Stanley or elsewhere, and may cost an investor more or less than this strategy in Morgan Stanley's Select UMA program.

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The portfolio may, at times, invest in exchange-traded funds (ETFs), which are a form of equity security in seeking to maintain continued full exposure to the broad equity market.

Morgan Stanley investment advisory programs may require a minimum asset level and, depending on your specific investment objectives and financial position, may not be suitable for you. Investment advisory program accounts are opened pursuant to a written client agreement.

The investment manager acts independently of, and is not an affiliate of, Morgan Stanley Smith Barney LLC.

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INDEX DESCRIPTIONS

90-Day T-Bills

The 90-Day Treasury Bill is a short-term obligation issued by the United States government. T-bills are purchased at a discount to the full face value, and the investor receives the full value when they mature. The difference of discount is the interest earned. T-bills are issued in denominations of $10,000 auction and $1,000 increments thereafter.

BC Muni

The Barclays Municipal Bond Index is a rules-based, market-value-weighted index engineered for the long-term tax-exempt bond market. To be included in the index, bonds must be rated investment-grade (Baa3/BBB+ or higher) by at least two of the following ratings agencies: Moody's, S&P, Fitch. If only two of the three agencies rate the security, the lower rating is used to determine index eligibility. If only one of the three agencies rates a security, the rating must be investment-grade. They must have an outstanding par value of at least $7 million and be issued as part of a transaction of at least $75 million. The bonds must be fixed rate, have a dated-date after December 31, 1990, and must be at least one year from their maturity date. Remarked issues, taxable municipal bonds, bonds with floating rates, and derivatives, are excluded from the benchmark. The index has four main sectors: general obligation bonds, revenue bonds, insured bonds (including all insured bonds with a Aaa/AAA rating), and prerefunded bonds. Most of the index has historical data to January 1980. In addition, subindices have been create based on maturity, state, sector, quality, and revenue source, with inception dates later than January 1980.
The S&P 500 Total Return has been widely regarded as the best single gauge of the large cap U.S. equities market since the index was first published in 1957. The index has over $5.58 trillion benchmarked, with index assets comprising approximately $1.31 trillion of this total. The index includes 500 leading companies in leading industries of the U.S. economy, capturing 75% coverage of U.S. equities. This index includes dividend reinvestment.

Indices are unmanaged and have no expenses. You cannot invest directly in an index.

GLOSSARY OF TERMS

Alpha is a mathematical estimate of risk-adjusted return expected from a portfolio above and beyond the benchmark return at any point in time.

American Depositary Receipts (ADRs) are receipts for shares of a foreign-based corporation held in the vault of a U.S. bank.

Average Portfolio Beta is a measure of the sensitivity of a benchmark or portfolio's rates of return to changes against a market return. The market return is the S&P 500 Index. It is the coefficient measuring a stock or a portfolio's relative volatility.

Beta is a measure of the sensitivity of a portfolio's rates of return to changes in the market return. It is the coefficient measuring a stock or a portfolio's relative volatility.

Bottom-Up Stock Selection Emphasis primarily on individual stock selection. Considerations of economic and industry factors are of secondary importance in the investment decision-making process.

Capitalization is defined as the following: Mega (Above $100 billion), Large ($12 to $100 billion), Medium ($2.5 - $12 billion), Small ($.50 - $2.5 billion) and Micro (below $.50 billion).

Distribution Rate is defined as the most recent distribution paid, annualized, and then divided by the current market price. Distribution rate may consist of investment income, short-term capital gains, and /or returns of capital.

Dividend a portion of a company's profit paid to common and preferred shareholders.

Dividend Yield annual dividend per share divided by price per share. Dividend Yield for the portfolio is a weighted average of the results for the individual stocks in the portfolio.

Downside Risk is a measure of the risk associated with achieving a specific target return. This statistic separates portfolio volatility into downside risk and upside uncertainty. The downside considers all returns below the target return, while the upside considers all returns equal to or above the target return.

Duration is a measure of price sensitivity expressed in years.

High Grade Corporate Bonds corporate bonds from issuers with credit ratings of AA or AAA.

Information Ratio is a measure of the investment manager's skill to add active value against a given benchmark relative to how stable that active return has been. Essentially, the information ratio explains how significant a manager's alpha is. Therefore, the higher the information ratio, the more significant the alpha.

Investment Grade Bonds are those rated by Standard & Poor's AAA (highest rated), AA, A or BBB (or equivalent rating by other rating agencies or, in the case of securities not rated, by the investment manager).

Price/Book Ratio (P/B) weighted average of the stocks' price divided by book value per share. Book value per share is defined as common equity, including intangibles, divided by shares outstanding times the adjustment factor.

Price/Cash Flow Ratio a ratio used to compare a company's market value to its cash flow. It is calculated by dividing the company's market capital by the company' operating cash flow in the most recent fiscal year (or the most recent four fiscal quarters); or, equivalently, divide the per-share stock price by the per-share operating cash flow.

Price/Earnings Ratio (P/E Ratio) shows the multiple of earnings at which a stock sells. Determined by dividing current stock price by current earnings per share (adjusted for stock splits). Earnings per share for the P/E ratio are determined by dividing earnings for past 12 months by the number of common shares outstanding. The P/E ratio shown here is calculated by the harmonic mean.

Price/Sales Ratio determined by dividing current stock price by revenue per share (adjusted for stock splits). Revenue per share for the P/S ratio is determined by dividing revenue for past 12 months by number of shares outstanding.

R2 (R-Squared)/Portfolio Diversification indicates the proportion of a security's total variance that is benchmark-related or is explained by variations in the benchmark.

Sharpe Ratio measures the efficiency, or excess return per unit of volatility, of a manager's returns. It evaluates managers' performance on a volatility-adjusted basis.

Standard Deviation is a statistical measure of historical variability or spread of returns around a mathematical average return that was produced by the investment manager over a given measurement period. The higher the standard deviation, the greater the variability in the investment manager's returns relative to its average return.

Top-Down/Economic Analysis Emphasis primarily on macroeconomic trends as opposed to bottom-up stock selection.

Tracking Error represents the standard deviation of the difference between the performance of the investment strategy and the benchmark. This provides a historical measure of the variability of the investment strategy's returns relative to its benchmark.
**U.S. Treasury Bonds** a marketable, fixed interest U.S. government debt security with a maturity of more than 10 years. Treasury bonds make interest payments semi-annually and the income that holders receive is only taxed at the federal level.

**Volatility** a measure of risk based on the standard deviation of the asset return. Volatility is a variable that appears in option pricing formulas, where it denotes the volatility of the underlying asset return from now to the expiration of the option. There are volatility indexes. Such as a scale of 1-9; a higher rating means higher risk.