

Investment Conversations

Timely Topics - GIMA 2026
Alternative Investment Themes



GIMA 2026 Investment Themes Across the Alternative Asset Classes

Theme	Implementation	Key Rationale
Powering the Future Continues: Digitization, Deglobalization and Power Generation	<ul style="list-style-type: none"> Private Infrastructure 	Secular tailwinds across power, digital, and transportation infrastructure support a compelling long-term investment opportunity. By 2040, infrastructure investments of up to \$106 trillion will be required to build out digital infrastructure, de-risk supply chains, and secure power generation capacity. Power remains a key bottleneck to digital infrastructure expansion, with approximately 500 gigawatts of new US generating capacity requiring an estimated \$2 trillion of energy infrastructure investment by 2030.
Secondary Solutions: The Thirst for Liquidity Continues	<ul style="list-style-type: none"> Private Market Secondaries 	Liquidity needs continue, with GPs increasingly recognizing the benefit of the secondary market to hold on to prized assets longer and manage liquidity for LPs. GP-led transactions have been the fastest-growing segment within the secondary market, while venture secondaries offer a differentiated way to gain exposure to high-growth technology and AI-driven companies. Secondary investments remain appealing for investors seeking J-curve mitigation and a favorable risk/return profile.
Uncovering Differentiated Yield	<ul style="list-style-type: none"> Asset Based Finance/Specialty Lending Triple Net Lease 	Asset-based finance provides investors with attractive income backed by real collateral with downside support and low correlation to traditional credit markets. Triple net lease may provide consistent returns that are derived from long-term, contractually secured, cash flows from tenants that include rent escalators tied to long-term leases. Exposure to underlying real estate and base rent escalators may provide a hedge against inflation, potential appreciation of the real estate equity, and potential tax advantages of real estate ownership.
A Capital Solution for Complex Situations	<ul style="list-style-type: none"> Opportunistic/Special Situations Private Credit 	Following an extended period of elevated base rates and tighter liquidity, the current environment has created an opportunity for lenders to provide bespoke alternative solutions to help address potential issues faced by borrowers as a result of strained corporate balance sheets, a significant maturity wall, continued banking disintermediation and the need to support other business challenges. Opportunistic and special situations credit targets dislocated, complexity-driven opportunities to generate equity-like returns with a focus on capital preservation.
Enhancing Diversification and Alpha Generation	<ul style="list-style-type: none"> Relative Value Equity Long/Short Equity Market Neutral 	As dispersion among market constituents improves, consider hedge funds that emphasize individual security selection and stock-picking, with a focus on both long and short positions, and returns enhanced by leverage and disciplined risk management.
Artificial Intelligence, Real Value: The Era of Intelligent Operational Value Creation	<ul style="list-style-type: none"> Select Buyout managers with robust value creation capabilities 	The operating playbook has evolved. Execution still matters, but the edge now lies in how firms harness AI and analytics to accelerate decisions, optimize efficiency, and compound value creation. Capturing this opportunity will depend on disciplined execution and enablement.

Source: Morgan Stanley Wealth Management GIMA. Alpha is the excess return of an investment relative to the return of a benchmark index. J-curve effect refers to a "J" shaped section of a time-series graph in which the curve falls into negative territory and then gradually rises to a higher level than before the decline.

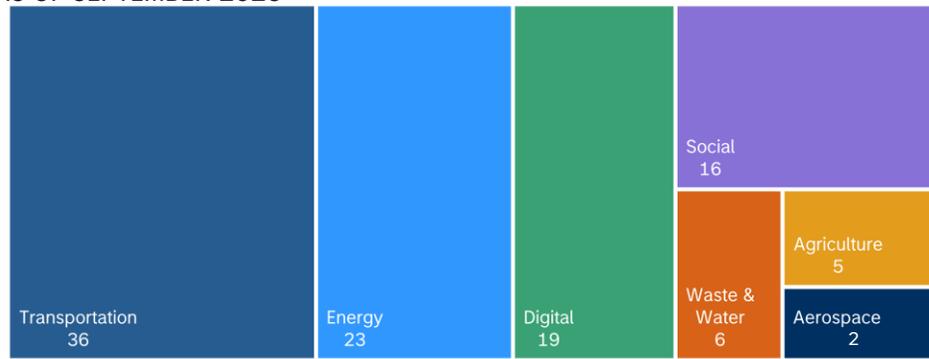
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Powering the Future: Digitization, Deglobalization, Power

Secular tailwinds across power, digital and transportation infrastructure support a compelling long-term investment opportunity.

CUMULATIVE INFRASTRUCTURE INVESTMENT IS EXPECTED TO REACH \$106 TRILLION BY 2040

AS OF SEPTEMBER 2025

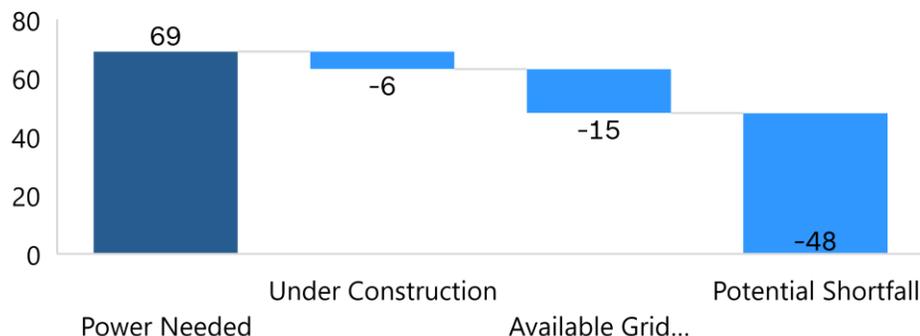


Private Infrastructure

- Infrastructure offers portfolio diversification with low historical correlation to the public markets, defensive characteristics and stable cash flows underpinned by long-term contracts and inflation-linked income.
- By 2040, infrastructure investments of up to \$106 trillion will be required to build out digital infrastructure, de-risk supply chains, and secure power generation capacity.
- Transportation, energy, and digital—the sub-sectors requiring the most investment—are expected to focus on logistics and decarbonization of transport, renewable and diversified energy, and data centers.
- Nearshoring and “friendshoring” trends will continue reshaping global trade infrastructure, directing capital toward ports, logistics hubs, and industrial power as critical industries reshore essential manufacturing, strengthen energy security, and de-risk supply chains.
- Global power demand from data centers is forecast to triple by 2030 as data creation and consumption has likely reached 100x its 2010 level. Power remains a key bottleneck to digital infrastructure expansion, with approximately 500 gigawatts of new US generating capacity requiring an estimated \$2 trillion of energy infrastructure investment by 2030.
- Strong demand for AI and cloud computing underpinning multi-billion-dollar data center deals is expected to create additional private equity and creative debt financing opportunities.
- Consider investing in private infrastructure focused on new emerging decentralized infrastructure ecosystems.

POTENTIAL SHORTFALL IN POWER FOR US DATA CENTERS

2025-2030 (IN GIGAWATTS), AS OF NOVEMBER 2025



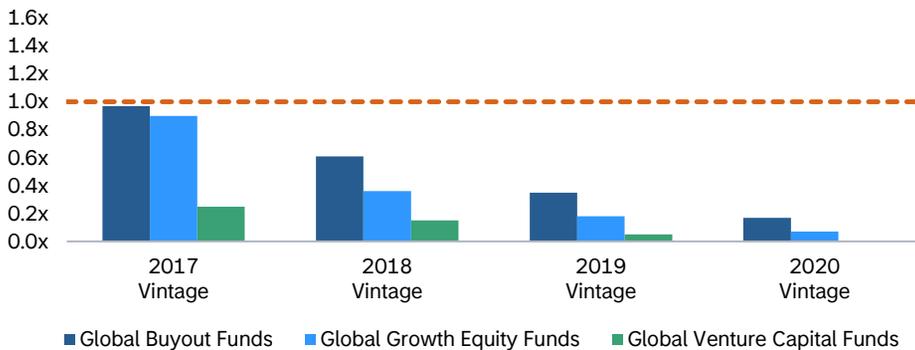
Source: Morgan Stanley Wealth Management GIMA, McKinsey & Company: *The Infrastructure Moment*, September 2025; Morgan Stanley & Co. Research: *Power: Changing Face with AI*, November 17, 2025. Past performance is no guarantee of future results. Estimates of future performance are based on assumptions that may not be realized. This material is not a solicitation of any offer to buy or sell any security or other financial instrument or to participate in any trading strategy. Please refer to important information, disclosures and qualifications at the end of this material.

Secondary Solutions: The Thirst for Liquidity Continues

Liquidity needs continue, with GPs increasingly recognizing the benefit of the secondary market to hold on to prized assets longer and manage liquidity for LPs.

MEDIAN DISTRIBUTIONS TO PAID-IN CAPITAL

AS OF JUNE 30, 2025



SECONDARY MARKET TRANSACTION VOLUME

AS OF JUNE 30, 2025



Private Market Secondaries

- While M&A activity is gradually improving and the IPO market is showing early signs of reopening, a substantial backlog of mature, private equity-backed companies persists. At the same time, median distribution to paid-in (DPI) for 2017-2020 vintage funds remains below 1.0x, underscoring how limited distributions have affected the private market industry. Against this backdrop, the secondary market remains a structurally important and rapidly expanding channel for both LPs and GPs to unlock liquidity.
- Growth in the secondary market reflects not only the strong LP-led supply and growing GP-led adoption, but also the broader maturation of secondaries as a core liquidity mechanism across private markets.
- Notably, GP-led transactions have been the fastest-growing segment within the secondary market. GP-led transactions have grown from 7% of all PE exits in 2022 to 19% of all PE exits in 1H 2025. Single-asset continuation vehicles (SACVs) saw a 47% increase as they remain a mainstream exit and reinvestment option for trophy assets.
- Another compelling segment of the secondary market is venture secondaries. This area offers a differentiated way to gain exposure to high-growth technology and AI-driven companies. Pricing in venture secondaries remains meaningfully discounted relative to other parts of the market, creating attractive entry points into portfolios.
- Consider managers who bring strong underwriting expertise across both traditional (LP-led) and non-traditional (GP-led) transactions within private markets to capture the wider opportunity set occurring in secondaries.

Source: Morgan Stanley Wealth Management GIMA, Cambridge Associates, Jefferies 1H 2025 Global Secondary Market Review.

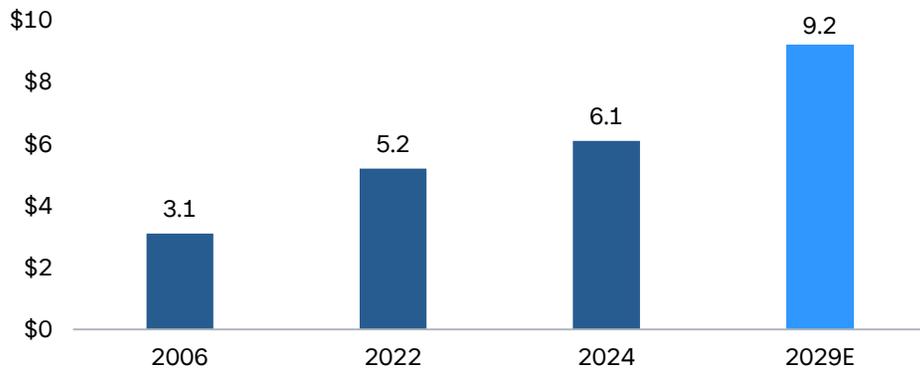
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Uncovering Differentiated Yield

Asset-Based Finance provides investors with attractive income backed by real collateral with downside support and low correlation to traditional credit markets.

PRIVATE ASSET BASED FINANCE GROWTH FORECAST (\$TN)

AS OF MARCH 31, 2024



BENEFICIAL ENHANCEMENTS OF ASSET-BASED LENDING STRATEGIES

	Asset Based Lending	Corporate Direct Lending
Hard/Financial Asset Security	Yes	No
Amortizing	Yes	No
Current Income	Yes	Yes
Contractual Cash Flows	Yes	No
Pool Diversification	Yes	No
Seniority	Senior	Senior
Duration	Short	Medium

Private Credit Asset-Based Finance

- Asset-Based Finance (ABF) sits at the intersection of both private credit and real asset strategies. Unlike traditional corporate direct lending, asset-based loans are underwritten against specifically identified collateral held away from the borrowing company's balance sheet.
- ABF offers diversification benefits compared to public fixed income and private direct lending being among the lowest. Further, portfolios are comprised of a pool of underlying assets across thousands of loans (both financial and hard assets), with different ABF segments offering varying complementary benefits.
- Regional banks have been the primary lender for ABF, but given tighter regulatory scrutiny and increased capital reserve mandates, opportunities have been provided to private lenders to fill the void across the ABF landscape.
- With DPI metrics often remaining depressed across other segments of private credit, ABF is generally self-amortizing and offers shorter duration of cash flows, thereby mitigating the J-curve.
- The contractual cash flows of the underlying assets stand in contrast to corporate lending, where lender repayment often relies on capital market events such as debt refinancing or an asset sale.
- ABF can offer an attractive return profile to more traditional direct lending due to its collateralized structure, typically secured by tangible assets or expected cash flows, which provides a form of capital preservation with recoverability in the event of a default. Due to the enhanced complexity and customization ABF tends to generate a slightly higher return relative to direct lending with lower realized losses and reduced volatility.

Source: Morgan Stanley Wealth Management GIMA, Integer Advisors, KKR. J-curve effect refers to a "J" shaped section of a time-series graph in which the curve falls into negative territory and then gradually rises to a higher level than before the decline.

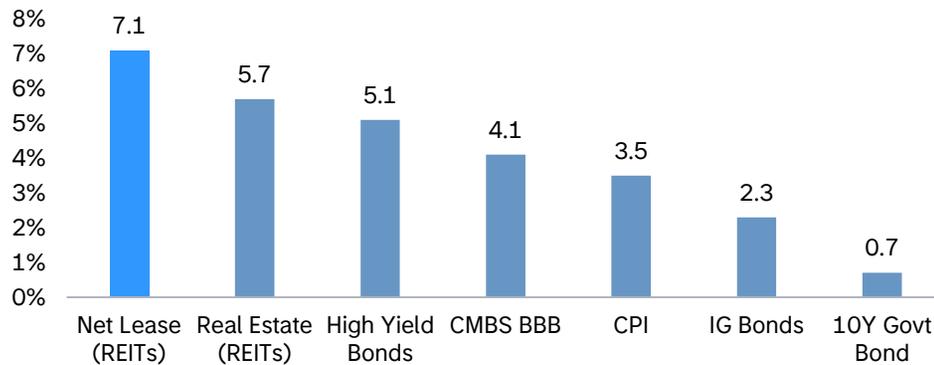
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Uncovering Differentiated Yield

Consider net lease managers who have robust credit underwriting to evaluate the tenant’s ability to meet the lease obligations.

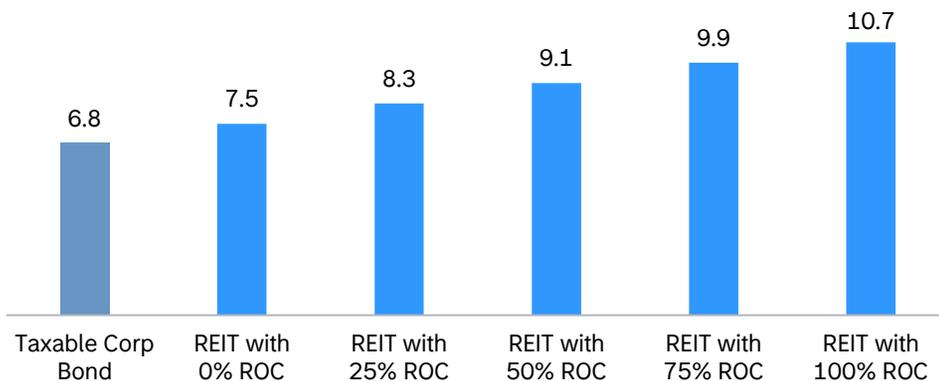
ATTRACTIVE AVERAGE ANNUAL RETURN 2017-2025

AS OF MAY 2025



ILLUSTRATIVE FEDERAL TAX EQUIVALENT YIELD

BASED ON A 6% DISTRIBUTION



Triple Net Lease

- Triple net lease (NNN) funds provide consistent returns that are derived from long-term, contractually secured cash flows from tenants that include rent escalators tied to long-term leases (typically 10+ years).
- A triple net lease is most commonly leased to a single tenant and the NNN leases require the tenant to pay the taxes, insurance and cost of maintaining the property (property operating and capital expenditures). This structure may present a relatively lower-risk, more compelling investment opportunity versus other alternatives.
- Exposure to underlying real estate and base rent escalators may provide a hedge against inflation, potential appreciation of the real estate equity and potential tax advantages of real estate ownership.
- On a tax-equivalent basis, net lease investments can be an attractive option relative to some fixed income alternatives. REIT ordinary dividends benefit from a 20% tax-rate reduction. Return of capital distributions are tax deferred.
- Net lease strategies have historically delivered an attracted return profile relative to fixed income securities.
- Additionally, valuations in real estate have declined ~20% from the March 2022 peak and may provide an attractive entry point for managers with strong underwriting and investment in sectors with strong fundamentals.
- Consider net lease managers who have robust credit underwriting to evaluate the tenant’s ability to meet the lease obligations.

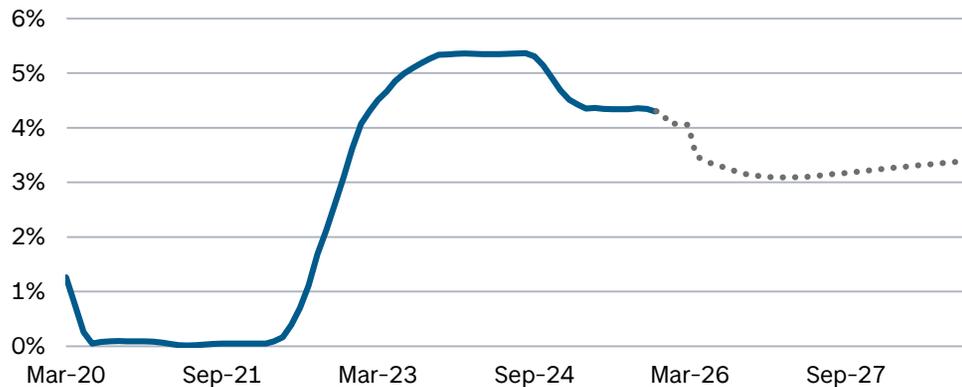
Source: Morgan Stanley Wealth Management GIMA, Morgan Stanley & Co. Research, Bloomberg, Fundamental Income Net lease Real Estate Index, National Association of Real Estate Investment Trusts (NAREIT), National Council of Real Estate Investment Fiduciaries (NCREIF) MSREI Strategy. Data as of May 2025. NCREIF data reflects the returns of a blended, large portfolio of institutional quality real estate and does not reflect the use of leverage or the impact of management and advisory fees. The NCREIF data, and other indices presented, have material differences from an investment in NetREIT, including those related to investment objectives, risks, fees and expenses, liquidity and tax treatment. Taxable equivalent yield assumes \$500,000 of annual income and an effective tax rate of 37.0%. Past performance is no guarantee of future results. Estimates of future performance are based on assumptions that may not be realized. This material is not a solicitation of any offer to buy or sell any security or other financial instrument or to participate in any trading strategy. Please refer to important information, disclosures and qualifications at the end of this material.

A Capital Solution for Complex Situations

Opportunistic and special situations credit targets dislocated, complexity-driven opportunities to generate equity-like returns with a focus on capital preservation.

BASE RATES NO LONGER LOW

3-MONTH SOFR FORWARD CURVE AS OF DECEMBER 19, 2025



IMPACT OF TOTAL COST OF DEBT¹ ON FREE CASH FLOW

AS OF NOVEMBER 2025. FOR ILLUSTRATIVE PURPOSES ONLY. FIGURES SHOWN DO NOT REPRESENT THE PERFORMANCE OF ANY SPECIFIC INVESTMENT.

As interest rates remain elevated, so does the importance of driving operational improvements to increase EBITDA

	Lower Rate Environment	Higher Rate Environment
EBITDA (\$M)	100	100
Leverage Multiple	6x	5x
Debt (\$M)	600	500
Total Cost of Debt ¹	5%	9%
Interest (\$M)	30	45
EBITDA less Interest (\$M)	70	55

Opportunistic Credit/Special Situations

- Following an extended period of elevated base rates and tighter liquidity, the current environment has created an opportunity for lenders to provide bespoke alternative solutions to help address potential issues faced by borrowers as a result of strained corporate balance sheets, a significant maturity wall, continued banking disintermediation and the need to support other business challenges.
- The current market dynamic may provide investors with enhanced yield potential alongside stronger credit documentations and potential equity-like returns while maintaining structural downside support.
- There is an estimated \$1.8 trillion of leveraged loans and high yield bonds that are set to mature by 2028, creating an opportunity for private credit lenders to provide bespoke solutions to help refinance maturing debt.
- After many years of cheap leverage, borrowers are also facing higher-than-normal interest expenses and weakened free cash flow, which is driving demand for amend and extend deals, rescue financing and structured capital needs. This is allowing for special lenders to develop customized solutions to support these corporate borrowers.
- Private credit lenders are able to provide customized solutions that public markets may not be able to create, especially during periods of restrictive monetary policy and tightening financial conditions. Solutions can be customized to include features of senior secured and subordinated debt, structured equity, among others, to provide borrowers with the flexibility they need to support various activities.

Source: Morgan Stanley Wealth Management GIMA, St. Louis Fed. ¹Total Cost of Debt equals Base Rate plus Spread.

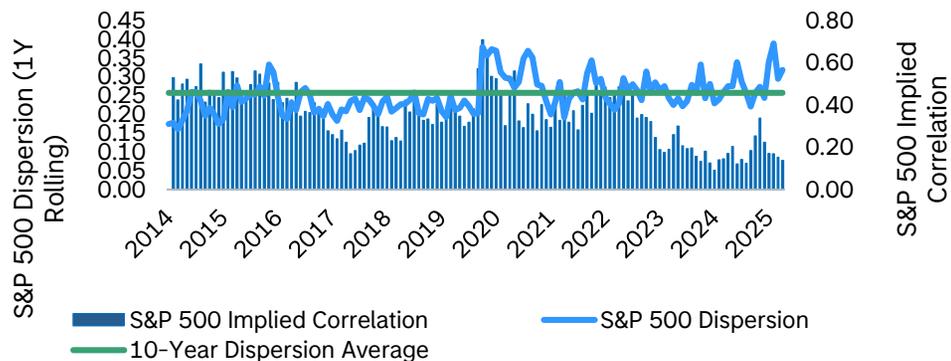
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Enhancing Diversification and Alpha Generation

As dispersion among market constituents improves, consider hedge funds that emphasize individual security selection and stock-picking, with a focus on both long and short positions, and returns enhanced by leverage and disciplined risk management.

PERIODS OF HIGHER DISPERSION & LOWER CORRELATION TEND TO BENEFIT STOCK-PICKERS...

DATA AS OF SEPTEMBER 30, 2025

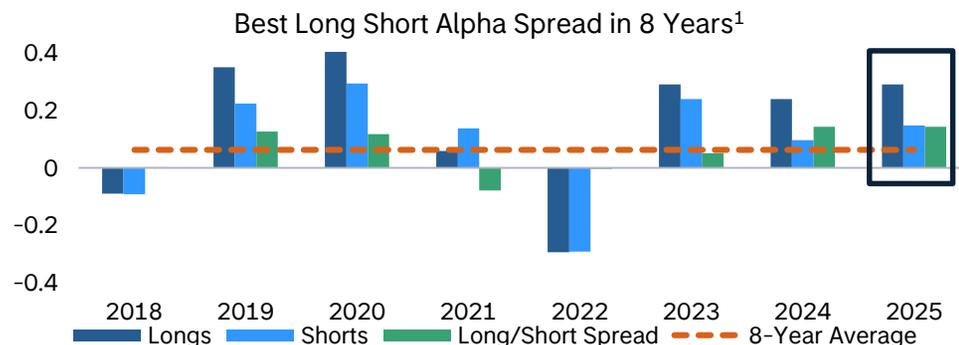


Consider Relative Value and Equity Long/Short

- Improved dispersion in markets is setting up a positive opportunity set for security selection and stock-picking for continued alpha generation. This is in contrast with the post-GFC, low-to-zero interest rate period, where correlations increased and securities traded away from fair value.
- S&P 500 dispersion continues to be elevated, currently sitting above 5-, 10-, and 30-year averages, while implied correlation is at lows. This has led to best long/short alpha spread in 8 years.
- Amid peak equity markets featuring lofty valuations, concentration and frequent reversals, fundamental characteristics are more closely correlated with stock price performance, rewarding portfolio managers with a focus on deep fundamental research, stock-picking talent, and a focus on risk management.

...LEADING TO IMPROVED ALPHA GENERATION

AS OF OCTOBER 31, 2025



- Relative value and equity long/short strategies seek to generate returns predominantly from alpha generation, as they take a long/short approach to capture relative market movements across securities, sectors and/or asset classes. These strategies may exhibit low correlation to broader markets and potentially enhance diversification within a portfolio.
- Sector specialist strategies with deep domain expertise can further benefit from this environment. Driven by a combination of bottom-up, idiosyncratic and thematic tailwinds, sector level dispersion remains increasingly apparent in areas such as Technology, Media & Telecommunications (TMT) and Healthcare. These managers can often identify first movers, laggards and longer-term leaders with the ability to manage risk or elevated volatility throughout market cycles.

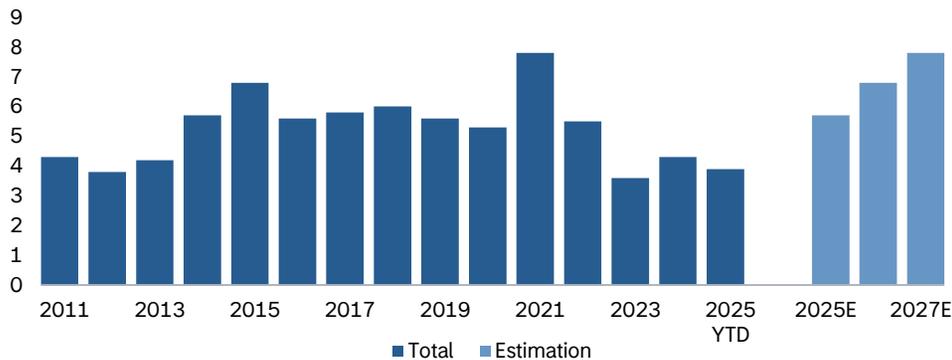
Source: Morgan Stanley Wealth Management GIMA, Morgan Stanley Prime Brokerage, Bloomberg. ¹The long/short alpha spread is the alpha a hedge fund earns by combining gains from long positions with gains from short positions. Alpha is the excess return of an investment relative to the return of a benchmark index. Past performance is no guarantee of future results. Estimates of future performance are based on assumptions that may not be realized. This material is not a solicitation of any offer to buy or sell any security or other financial instrument or to participate in any trading strategy. Please refer to important information, disclosures and qualifications at the end of this material.

Artificial Intelligence, Real Value: The Era of Intelligent Operational Value Creation

The operating playbook has evolved. Execution still matters, but the edge now lies in how firms harness AI and analytics to accelerate decisions, optimize efficiency, and compound value creation.

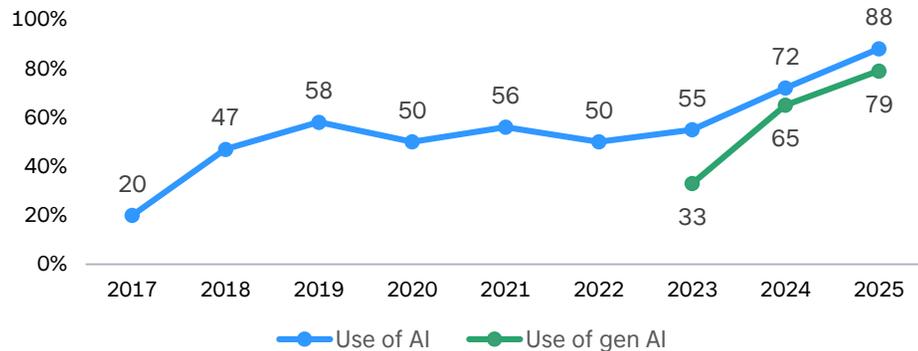
ANNOUNCED M&A VOLUME EXPECTED TO RECOVER

AS OF SEPTEMBER 30, 2025



% OF ORGANIZATIONS THAT USE AI IN AT LEAST ONE BUSINESS FUNCTION

DATA FROM 2017 - 2025



Select Buyout Managers with Operational Excellence

- M&A, deal activity and exit activity more broadly are expected to rebound over a multi-year recovery. Companies with strong operational capabilities will be better positioned to weather economic uncertainty and participate in the recovery. Firms' sustainable value-creation efforts will likely come through organic revenue growth and margin expansion rather than return generation by financial leverage and multiple expansion.
- Value creation teams remain central to driving scalable operational excellence—from product and technology enhancements to go-to-market strategy, talent, and automation. The next wave of outperformance will be driven by how effectively firms embed AI across these functions to amplify human judgment, streamline execution, and unlock new efficiency gains.
- Capturing this opportunity will depend on disciplined execution and enablement. Firms that build AI fluency across management teams, integrate human expertise with machine intelligence, and scale adoption responsibly across portfolios will convert technological potential into measurable value creation.
- Consider select buyout managers with robust value-creation capabilities and a cycle-tested record of driving operational improvement. Those able to integrate AI into their investment and operating playbooks to enhance decision-making, accelerate growth, and improve efficiency will be well positioned to lead in the next phase of the cycle.

Source: Morgan Stanley Wealth Management GIMA, Deal Logic, Morgan Stanley & Co. Research, McKinsey & Company, *The state of AI in 2025: Agents, innovation, and transformation*. Note: 2025 YTD as of 3Q25.

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Alternative Strategy Definitions

- **Convertible Arbitrage** is a market-neutral investment strategy often employed by hedge funds. It typically involves taking a long strategy in a convertible arbitrage and a short position in the underlying common stock, in order to capitalize on pricing inefficiencies between the convertible and the stock.
- **Credit Long/Short** This strategy consists of a core holding of long credits hedged at all times with varying degrees of short sales of bonds and/or index options. Some managers maintain a substantial portion of assets within a hedge structure and commonly employ leverage.
- **Distressed Credit** involves directly working with a company that has filed for bankruptcy or has a significant chance of filing for bankruptcy in the near future to extend its credit on behalf of the hedge fund. This credit can be in the form of bonds or even a revolving credit line. The distressed firm usually needs a lot of cash to turn things around; if more than one hedge fund extends credit, then none of the funds are overexposed to the default risk tied to one investment. This is why multiple hedge funds and investment banks usually undertake the endeavor together.
- **Equity Long/Short** This strategy consists of a core holding of long equities hedged at all times with varying degrees of short sales of stock and/or index options. Some managers maintain a substantial portion of assets within a hedge structure and commonly employ leverage.
- **Equity Market Neutral** Equity market neutral strategies employ sophisticated quantitative techniques of analyzing price data to ascertain information about future price movement and relationships between securities, select securities for purchase and sale. These can include both factor-based and statistical arbitrage/trading strategies. Factor-based investment strategies include strategies in which the investment thesis is predicated on the systematic analysis of common relationships between securities. In many but not all cases, portfolios are constructed to be neutral to one or multiple variables, such as broader equity markets in dollar or beta terms, and leverage is frequently employed to enhance the return profile of the positions identified. Statistical arbitrage/trading strategies consist of strategies in which the investment thesis is predicated on exploiting pricing anomalies which may occur as a function of expected mean reversion inherent in security prices; high frequency techniques may be employed and trading strategies may also be employed on the basis of technical analysis or opportunistically to exploit new information the investment manager believes has not been fully, completely or accurately discounted into current security prices. Equity market neutral strategies typically maintain characteristic net equity market exposure no greater than 10% long or short.
- **Event Driven** Investment managers in this strategy maintain positions in companies currently or prospectively involved in corporate transactions of a wide variety including but not limited to mergers, restructurings, financial distress, tender offers, shareholder buybacks, debt exchanges, security issuance or other capital structure adjustments. Security types can range from most senior in the capital structure to most junior or subordinated, and frequently involve additional derivative securities. Event-driven exposure includes a combination of sensitivities to equity markets, credit markets and idiosyncratic, company-specific developments. Investment theses are typically predicated on fundamental characteristics (as opposed to quantitative), with the realization of the thesis predicated on a specific development exogenous to the existing capital structure.
- **Global Macro** This is a hedge fund strategy that bases its holdings—such as long and short positions in various equity, fixed income, currency, and futures markets—primarily on overall economic and political views of various countries (macroeconomic principles).
- **Hedge Fund of Funds** This strategy tracks investment managers who trade a broad range of strategies in which the investment process is predicated on movements in underlying economic variables and the impact these have on equity, fixed income, hard currency and commodity markets. Managers employ a variety of techniques, both discretionary and systematic analysis, combinations of top down and bottom up theses, quantitative and fundamental approaches and long and short term holding periods. Although some strategies employ relative value techniques, macro strategies are distinct from relative value strategies in that the primary investment thesis is predicated on predicted or future movements in the underlying instruments, rather than realization of a valuation discrepancy between securities. In a similar way, while both macro and equity hedge managers may hold equity securities, the overriding investment thesis is predicated on the impact movements in underlying macroeconomic variables may have on security prices, as opposed to equity hedge, in which the fundamental characteristics of the company are the most integral to the investment thesis.
- **Managed Futures Funds** These funds primarily trade liquid global futures, options, swaps, and foreign exchange contracts, both listed and over-the-counter. A majority of these funds follow trend-following, price-momentum strategies. Other strategies included in this category are systematic mean reversion, discretionary global macro strategies, commodity index tracking, and other futures strategies. More than 60% of the fund's exposure is invested through derivative securities. These funds obtain exposure primarily through derivatives; the holdings are largely cash instruments.
- **Relative Value** Investment managers in this strategy maintain positions in which the investment thesis is predicated on realization of a valuation discrepancy in the relationship between multiple securities. They employ a variety of fundamental and quantitative techniques to establish investment theses, and security types range broadly across equity, fixed income, derivatives or other security types.

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Alternative Strategy Definitions (*cont'd*)

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Certain information contained herein may constitute forward-looking statements. Due to various risks and uncertainties, actual events, results or the performance of a fund may differ materially from those reflected or contemplated in such forward-looking statements. Clients should carefully consider the investment objectives, risks, charges, and expenses of a fund before investing.

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Asset allocation, diversification, rebalancing and dollar cost averaging do not guarantee a profit or protect against loss in declining markets. Past performance is no guarantee of future results and actual results may vary. Rebalancing strategies may also have tax consequences; investors should consult a qualified tax advisor before implementing such strategies.

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Risks Associated With Investing

Investing in the markets entails the risk of market volatility. The value of all types of investments, including stocks, mutual funds, exchange-traded funds ("ETFs"), closed-end funds, and unit investment trusts, may increase or decrease over varying time periods. **Please carefully consider the investment objectives, risks, charges and expenses of investment fund(s) before investing. The fund prospectus contains this and other information about the fund(s). To obtain a prospectus, contact your financial advisor. Please read the prospectus carefully before investing.** There is no assurance that investment funds will achieve their investment objectives. Besides the general investment risk of holding securities that may decline in value and the possible loss of principal invested, closed-end funds may have additional risks related to declining market prices relative to net asset values (NAVs), active manager underperformance and potential leverage. To the extent the investments depicted herein represent international securities, you should be aware that there may be additional risks associated with international investing, including foreign economic, political, monetary and/or legal factors, changing currency exchange rates, foreign taxes, and differences in financial and accounting standards. These risks may be magnified in emerging markets and frontier markets. Some funds also invest in foreign securities, which may involve currency risk. **Equity securities** may fluctuate in response to news on companies, industries, market conditions and general economic environment. Companies paying dividends can reduce or cut payouts at any time. Small- and mid-capitalization companies may lack the financial resources, product diversification and competitive strengths of larger companies. In addition, the securities of small- and mid-capitalization companies may not trade as readily as, and be subject to higher volatility than, those of larger, more established companies. **Growth investing** does not guarantee a profit or eliminate risk. Growth stocks can trade at relatively high valuations which may increase risk compared with an investment in a company with more modest growth expectations. **Value investing** does not guarantee a profit or eliminate risk. Not all companies deemed value stocks are able to turn around their business or successfully execute corrective strategies, and their stock prices may not rise as initially expected.

The value of **fixed income securities** will fluctuate and, upon a sale, may be worth more or less than their original cost or value at maturity. Bonds are subject to interest rate risk, call risk, reinvestment risk, liquidity risk, and credit risk of the issuer. Yields may change with economic conditions and should be considered alongside other factors when making investment decisions. Credit ratings are subject to change. **High yield bonds** carry additional risks, including increased risk of default and greater volatility due to lower credit quality of the issues. In the case of **municipal bonds**, income is generally exempt from federal income taxes, though some income may be subject to state and local taxes and to the federal alternative minimum tax. Capital gains, if any, are subject to tax. **Treasury Inflation Protection Securities (TIPS)** adjust coupon payments and underlying principal to compensate for inflation in line with the consumer price index (CPI). While the real rate of return is guaranteed, TIPS typically offer lower returns and may significantly underperform conventional U.S. Treasuries during periods of low inflation. There is no guarantee that investors will receive par if TIPS are sold prior to maturity. The **Ultrashort-term fixed income** asset class consists of high-quality securities with very short maturities and is therefore still subject to the risks associated with debt securities such as credit and interest rate risk.

Money Market Funds: You could lose money in money market funds. Although government money market funds (defined as investing 99.5% of total assets in cash and/or securities backed by the U.S. government) and retail funds (defined as money market funds open to natural person investors only) seek to preserve value at \$1.00 per share, they cannot guarantee doing so. The price of other money market funds will fluctuate, and when you sell shares they may be worth more or less than originally paid. Money market funds may impose a fee upon sale or temporarily suspend sales if liquidity falls below required minimums. During suspensions, shares would not be available for purchases, withdrawals, check writing or ATM debits. A money market fund investment is not insured or guaranteed by the Federal Deposit Insurance Corporation or other government agency. The Fund's sponsor has no legal obligation to provide financial support to the Fund and investors should not expect that the sponsor will provide financial support to the Fund at any time.

Investing in **Commodities:** Commodity prices may be affected by factors such as supply and demand, government policies, domestic or international political and economic events (including war or terrorism), changes in interest and exchange rates, trading activity in commodities and related contracts, pestilence, technological developments, weather, price volatility, and liquidity constraints. Physical precious metals are speculative, non-regulated products that may experience short- and long-term price volatility. Precious metals do not make interest or dividend payments and therefore may not be appropriate for investors who require current income. Precious metals must be stored, which may impose additional costs on investors.

Master Limited Partnerships (MLPs): Investments in MLPs are subject to the risks generally applicable to companies in the energy and natural resources sectors, including commodity price fluctuations, supply

and demand imbalances, resource depletion and exploration risk. MLPs also carry interest rate risk and may underperform in rising interest rate environments. In addition, MLP funds accrue deferred income taxes on net operating gains and capital appreciation; as a result their after-tax performance could differ significantly from that of its underlying assets.

Exchange Funds are private placement vehicles that enable holders of concentrated single-stock positions to exchange those stocks for a diversified portfolio. Investors may benefit from greater diversification.

Alternative investments are often speculative and include a high degree of risk. Investors can lose all or a substantial amount of their investment. They are appropriate only for eligible, long-term investors willing to forgo liquidity and put capital at risk for an indefinite period. They are often illiquid, may employ leverage, short-selling, or other speculative practices that increase volatility and risk of loss, and may require large minimum investments and initial lock-ups. Alternative investments may also involve complex tax structures, tax-inefficient investing, and delays in distributing important tax documents. Clients should consult their own tax and legal advisors, as Morgan Stanley Wealth Management does not provide tax or legal advice. They also typically carry higher fees and expenses than traditional investments, which can reduce overall returns.

Sector investments, due to their narrow focus, tend to be more volatile than broadly diversified investments. **Non-diversified portfolios:** Portfolios that hold a concentrated number of securities may experience greater overall declines when those securities lose value compared with more diversified portfolios. Portfolios that invest heavily in one or a few industry sectors are more vulnerable to price fluctuations than those diversified across a wider range of sectors.

Environmental, Social and Governance (ESG) investments in a portfolio may experience performance that is lower or higher than a portfolio not employing such practices. Portfolios with ESG restrictions and strategies as well as ESG investments may not be able to take advantage of the same opportunities or market trends as portfolios where ESG criteria is not applied. There are inconsistent ESG definitions and criteria within the industry, as well as multiple ESG ratings providers that provide ESG ratings of the same subject companies and/or securities that vary among the providers. Certain issuers of investments may have inconsistent views concerning ESG criteria where the ESG claims made in offering documents or other literature may overstate ESG impact. ESG designations are as of the date of this material, and no assurance is provided that the underlying assets have maintained or will maintain any such designation or any stated ESG compliance. As a result, it is difficult to compare ESG investment products or to evaluate an ESG investment product in comparison to one that does not focus on ESG. Investors should also independently consider whether the ESG investment product meets their own ESG objectives or criteria. There is no assurance that an ESG investing strategy or techniques employed will be successful. Past performance is not a guarantee or a dependable measure of future results.

Buying, selling, and transacting in Bitcoin, Ethereum or other digital assets ("Digital Assets"), and related funds and products, is highly speculative and may result in a loss of the entire investment. Risks and considerations include but are not limited to: Digital Assets have only been in existence for a short period of time and historical trading prices for Digital Assets have been highly volatile. The price of Digital Assets could decline rapidly, and investors could lose their entire investment. Although any Digital Asset product and its service providers have in place significant safeguards against loss, theft, destruction and inaccessibility, there is nonetheless a risk that some or all of a product's Digital Asset could be permanently lost, stolen, destroyed or inaccessible by virtue of, among other things, the loss or theft of the "private keys" necessary to access a product's Digital Asset. Digital Assets may not have an established track record of credibility and trust. Further, any performance data relating to Digital Asset products may not be verifiable as pricing models are not uniform.

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Investment Advisory Programs

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The Morgan Stanley Pathway Funds, Firm Discretionary UMA Model Portfolios, and other asset allocation or any other model portfolios that are discussed in this material are available only to investors participating in Morgan Stanley Consulting Group advisory programs. For additional information on the Morgan Stanley Consulting Group advisory programs, see the applicable ADV brochure, available at www.morganstanley.com/ADV or request from your Morgan Stanley Financial Advisor or Private Wealth Advisor. To learn more about the Morgan Stanley Pathway Funds, visit the Funds' website at www.morganstanley.com/wealth-investmentsolutions/cgcm.

Generally, investment advisory accounts are subject to an **annual asset-based fee** (the "Fee") which is payable monthly in advance (some account types may be billed differently). In general, the Fee covers Morgan Stanley investment advisory services, custody of securities with Morgan Stanley, trade execution with or through Morgan Stanley or its affiliates, as well as compensation to any Morgan Stanley Financial Advisor.

In addition, each account that is invested in a program that is eligible to purchase certain investment products, such as mutual funds, will also pay a **Platform Fee** (which is subject to a Platform Fee offset) as described in the Morgan Stanley ADV. Accounts invested in the Select UMA program may also pay a separate Sub-Manager fee, if applicable.

If your account is invested in mutual funds or exchange traded funds (collectively "funds"), you will pay the fees and expenses of any funds in which your account is invested. **Fees and expenses are charged directly to the pool of assets** the fund invests in and are reflected in each fund's share price. These fees and expenses are an additional cost to you and would not be included in the Fee amount in your account statements. The advisory program you choose is described in the Morgan Stanley ADV.

Morgan Stanley or Executing Sub-Managers, as applicable, in some of Morgan Stanley's SMA programs may effect transactions through broker-dealers other than Morgan Stanley or our affiliates. In such instances, you may be assessed additional costs by the other firm in addition to the Morgan Stanley and Sub-Manager fees. Those costs will be included in the net price of the security, not separately reported

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Morgan Stanley charges each fund family we offer a **mutual fund support fee**, also called a "revenue-sharing payment," on client account holdings in fund families according to a tiered rate that increases along with the management fee of the fund so that lower management fee funds pay lower rates than those with higher management fees.

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Deposit Products and FDIC: Under the Bank Deposit Program, free credit balances held in an account(s) at Morgan Stanley Smith Barney LLC are automatically deposited into an interest-bearing deposit account(s) at FDIC-insured banks. Certain conditions must be met. For more information, view the Bank Deposit Program Disclosure Statement. The Savings and Preferred Savings Programs offer FDIC-insured deposit accounts at Morgan Stanley Private Bank, National Association, Member FDIC or Morgan Stanley Bank, N.A., Member FDIC. The Savings programs are not intended for clients who need to have frequent access to funds and those funds will not be automatically accessed to reduce a debit or margin loan in your brokerage account. Withdrawals are limited to 10 per calendar month, and excess withdrawals may incur fees. Promotional rates may be offered from time to time and are subject to change at any time.

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