

Morgan Stanley

# Separately Managed Accounts

## Summary

Constructing and managing an investment portfolio can be a daunting and time-consuming task for individual investors. Consulting Group, the investment advisory arm of Morgan Stanley Wealth Management, offers a separately managed account (SMA) program designed to help clients achieve a broad range of financial objectives.

At Morgan Stanley,  
You Can Benefit From:



**ACCESS**  
to professional  
asset managers.



**GUIDANCE**  
with building your  
portfolio.



**DUE DILIGENCE**  
in analyzing asset  
managers.

# Program Benefits

SMA typically consist of a portfolio of stocks, bonds or other assets managed on your behalf by a professional portfolio manager and closely matched to your specific financial goals and risk tolerance.

Because you directly own all underlying securities in the portfolio, an SMA may allow you to request reasonable restrictions on the management of your account<sup>1</sup> as well as opportunistically manage the timing of future tax liabilities<sup>2</sup>

## PROFESSIONALLY MANAGED PORTFOLIOS

Our CES advisory program provides you with access to portfolios managed by some of the world's most recognized and highly regarded investment management firms, while streamlining and simplifying the expense associated with such a portfolio.

Costs can be an issue when juggling multiple investments. In CES, you typically pay an annual asset-based fee to Morgan Stanley (billed monthly) that is charged to your account. The fee covers Morgan Stanley services—such as consulting, custody of securities with Morgan Stanley, trade execution with or through Morgan Stanley as well as compensation to any Morgan Stanley Financial Advisor. The manager's fee is separate from and in addition to the Morgan Stanley fee, and can also be charged to your account if requested.

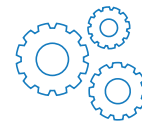
## GUIDED PORTFOLIO CONSTRUCTION

Having a prudent investment process in place is crucial to reaching your long-term financial goals. Morgan Stanley's Consulting Group has a long tradition of serving our clients, from the individual investor to larger institutions, providing each with appropriate investment consulting advice and services.

## DUE DILIGENCE IN INVESTMENT MANAGER ANALYSIS

Choosing a professional asset manager is one of the most important decisions you will ever make, so the importance of conducting thorough due diligence on managers cannot be overstated. Our firm's due diligence process is rigorous, encompassing quantitative and qualitative criteria to provide you with a selection of approved managers across a variety of investment styles.

Your Financial Advisor has access to the resources of GIMA, comprised of more than 75 experienced professionals who review over 4,500 SMAs, mutual funds and exchange-traded funds\* on an ongoing basis across a broad array of traditional and alternative<sup>3</sup> asset classes and investment styles.



## How the Program Works

### CONSULTING AND EVALUATION SERVICES (CES)

Consulting Group offers a dual-contract, separately managed account program, in which you sign separate contracts with firm-approved third-party investment managers and Morgan Stanley.

- Morgan Stanley provides consulting, execution, custody and certain administrative services, and you delegate investment discretion directly to the third-party managers.
- All SMA strategies available in the program are approved by the Global Investment Manager Analysis (GIMA) team.
- If required, your assets may be held outside of Morgan Stanley.

\*Source: Morgan Stanley Wealth Management, September 2023

At the core of Consulting Group's services is a disciplined investment process tailored to you. Your Financial Advisor will walk you through the process, which consists of four steps:



In evaluating investment firms, the manager analysis team looks beyond past performance, incorporating a range of qualitative factors:

- Investment philosophy
- Research capabilities
- Portfolio construction process
- Composition of the investment management team
- Business operation and technological capabilities

The manager analysis process is highly disciplined and consistent, allowing

the team to compare strengths and weaknesses across firms with similar styles and philosophies. The result for clients in our CES program is a list of investment strategies and managers that meet our rigorous standards.

You can start your investment advisory relationship by opening a separately managed account. You will gain access to many industry-leading professional portfolio managers backed by the extensive manager analysis capabilities, vast resources and global reach of Morgan Stanley and its affiliates.



**To learn more about the personalized investment consulting available through Morgan Stanley and how it may benefit your portfolio, speak to your Financial Advisor today.**

<sup>1</sup> To impose reasonable restrictions on investments in your account, e.g., no tobacco securities, you must contact your investment manager directly. Morgan Stanley cannot guarantee that such requests will be honored.

<sup>2</sup> Certain managers may be able to accommodate tax harvesting for a client. To request tax harvesting, you must contact your investment manager directly. Tax harvesting may adversely impact investment performance. Neither Morgan Stanley nor your manager makes any guarantee that a tax harvesting strategy will be successful.

<sup>3</sup> In Consulting Group's Consulting and Evaluation Services (CES) account program, alternative investments are limited to U.S.-registered, open-end mutual funds; separately managed accounts; and exchange-traded funds (ETFs) that seek to pursue alternative investment strategies or returns utilizing publicly traded securities. Investment products in this category may employ various investment strategies and techniques for both hedging and more speculative purposes such as short-selling, leverage, derivatives and options, which can increase volatility and the risk of investment loss. Alternative investments are not appropriate for all investors.

If your account is invested in mutual funds, closed-end 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.

Morgan Stanley or Executing Sub-Managers, as applicable, in some of Morgan Stanley's Separately Managed Account (SMA) programs may effect transactions through broker-dealers other than Morgan Stanley or our affiliates. In such instance, 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 on trade confirmations or account statements. Certain Sub-Managers have historically directed most, if not all, of their trades to outside firms. Information provided by Sub-Managers concerning trade execution away from Morgan Stanley is summarized at: <http://www.morganstanley.com/wealth/investmentsolutions/pdfs/adv/sotresponse.pdf>. For more information on trading and costs, please refer to the ADV Brochure for your program(s), available at [www.morganstanley.com/ADV](http://www.morganstanley.com/ADV), or contact your Financial Advisor/Private Wealth Advisor.

Asset allocation, diversification and rebalancing does not protect against a loss or guarantee a profit in declining financial markets. There may be a potential tax implication with a rebalancing strategy. Please consult your tax advisor before implementing such a strategy.

Morgan Stanley Smith Barney LLC, its affiliates and its employees are not in the business of providing tax advice. Investors should seek advice based on their own particular circumstances from an independent tax advisor before implementing any tax strategy. The performance of tax-managed accounts is likely to vary from that of nontax-managed accounts.

Morgan Stanley Smith Barney LLC offers investment program services through a variety of investment programs, which are opened pursuant to written client agreements. Each program offers investment managers, funds and features that are not available in other programs; conversely, some investment managers, funds or investment strategies may be available in more than one program. Please see the Morgan Stanley Smith Barney LLC Consulting and Evaluation Services ADV brochure for more information on the CES program. Ask your Financial Advisor for a copy or you can go to our website at [www.morganstanley.com/ADV](http://www.morganstanley.com/ADV).