Morgan Stanley

Third Quarter
2024

The Tribeca Group at Morgan Stanley

Professional Fixed Income Portfolio Management

15 THINGS WE THINK YOU NEED TO KNOW...

"In my 30+ plus year career in fixed income, I have rarely seen an environment so full of such immense opportunity as we sit on the precipice of an incredibly significant and still controversial shift in Fed interest rate policy"

- J. Scott McCoy
Managing Director - Wealth Management
Senior Portfolio Management Director
Corporate Cash Investment Director
International Client Advisor
Strategic Partner

SWING STATE

- Hitting the policy bullseye to avoid doing too little or being too late
- The train has started leaving the station while the Fed fumbles to punch its ticket
- The Fed has work to do for a labor market showing increasing signs of slowing
- The trend is the Fed's friend as core PCE looks sustainably headed towards the 2% target
- Chaotic politics as usual in an economic swing state
- Investor cognitive dissonance for the future direction of short-term interest rates continues
- Riding the wave – positioning for an expected bullish re-steepening of the Treasury yield curve
- Investment Grade Market – Spreads before and after Fed interest rate cuts
- Preferreds – Should I expect a call?
- 2024 Q3 Municipal Market Outlook – Strong performance continues so far in 2024
- 2024 Q3 Municipal Outlook – Taxable equivalent yields remain attractive
- 2024 Q3 Municipal Outlook – Giving Municipals credit for strong underlying financial metrics
- High Yield Market: 2024 YTD Outperformance
- High Yield Market: Goldilocks continues in terms of credit market fundamentals
- High Yield Market: Crossing over for better risk-adjusted yield and return

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Tribeca Group 2024 Third Quarter Investor Letter

As we begin our Third Quarter Investor Letter, I want to just take a moment to share with you what we believe truly represents a historic and pivotal moment for the bond markets. In my 30+ plus year career in fixed income, I have rarely seen an environment so full of such immense opportunity as we sit on the precipice of an incredibly significant and still controversial shift in Fed interest rate policy. As we will demonstrate, we see too many clients still sitting complacently in ultrashort investments and products. Our strongest message and ask here then is to please heed our advice for the opportunity to potentially take advantage of attractive rates as well as the potential for total rate of return.

Volatility has been the hallmark of markets since the onset of the pandemic that hit with full force in the United States in March of 2020. That single idiosyncratic event set off a chain reaction of massive global human and economic impacts that more than four years later still shapes our world. Even as the initial health crisis mercifully seems a distant memory, policymakers and politicians everywhere still struggle on our path toward normalization. That statement has been especially true for central banks. Swings have been enormous first in terms of the pandemic-related collapse of economies and employment and then an equally large stimulus-led rebound that triggered a surge in inflation. No need to review here the unprecedented amounts of both fiscal and monetary stimulus released to cure Covid-related ills. Again, though, harkening back to volatility we have all experienced, much of it can be explained by how central banks were universally slow to react to the spike in inflation.

Once they did finally respond, we saw one of the most aggressive and synchronized periods of rate hikes since the 1970s. They have now kept rates holding at elevated levels longer than historically seen on average after reaching a peak. Our own Fed had waited until CPI inflation was over 8% before initiating a first 25 basis point increase above the zero level put in place at the outset of the pandemic. They then took rates up by a total of five and half percentage points in just 16 months, including three 75 basis points moves. Still, that peak rate has only been in place since July of last year. Economists teach us that the blunt tool of monetary policy acts with long and variable lags, and so only now do we see the economic impacts beginning to take hold.

While the U.S. economy in particular appears to be holding up well, signs of slowing have started to surface. Keep in mind, we need a return to sustainable trend growth to help in the Fed's fight against above 2% target inflation. The second quarter U.S. GDP report reaffirmed domestic demand eased, but remained solid, moving from 2.9% in 2023 to 2.6% over the 1st half of this year (Source: MS Economics Research). June Consumer Confidence also shows some cracks, falling in June from May's downwardly revised level with already very low present conditions dropping another two points to 73 (Source: U. of Mich Consumer Sentiment Survey). Lower consumer expectations drove another monthly drop in leading economic indicators (Source: Bloomberg, LLP). The Citi Economic Surprise Index which has spent the year in negative territory dropped further into worse-than-expected territory in July (Source: Bloomberg, LLP).

Since 1977, our central bank operates under Congressional mandates that require it seek full employment while maintaining a stable price level. While economists frequently refer to this so-called Fed "dual mandate", the 1977 amendment to the Federal Reserve Act that established them also requires that the Fed seek "moderate long-term interest rates." Investors understandably worry over growing U.S. deficits requiring more and more Treasury issuance that could pressure U.S. interest rates higher. We see this third mandate as suggestive of a possible Fed response to any undesirable fiscal or supply-related upside pressure on rates.

Focusing on the Fed's more primary objectives, employment remains central and critically linked to the inflation outlook. Here again, ample signs that we have come off the boil of a generationally tight labor market that hit historical lows in unemployment. Weekly initial jobless claims have been on the rise since April. Importantly, continuing claims have remained elevated, evidencing that employers have not been aggressive about hiring laid off workers. Declining job vacancy rates confirm what elevated claims tell us about reduced employer demand. Service sector employment has cooled as the post-Covid surge in travel and leisure subsides. Business services hiring also has turned negative, perhaps as companies explore AI substitutions (Data all sourced from MS Economics Research).

With pressure off labor markets plus supply chains coming back into balance and consumer demand easing, inflation too has now cooled as measured by the Fed's favored core PCE index. The 3-month trend in June fell to 2.31% in a large drop from May's 2.93%, and close to the Fed's 2% target. With all of these favorable developments, Fed Chair Powell told Congress last month, "The economy has made considerable progress toward our dual-mandate objectives." Our economists remain high conviction for three 25 basis point rate cuts by the Fed this year beginning in September. Chair Powell's warning to Congress last month would seem to confirm such a path, saying, "Reducing policy restraint too late or too little could unduly weaken economic activity and employment." (2024 July Humphrey Hawkins Congressional Testimony).

Managing and investing money has always been about risk vs. reward. We see today's fixed income market as offering potential value for given levels of risk. First, as outlined above, probabilities look heavily skewed towards yields continuing to traverse a path lower following an expected series of rate cuts by the Fed. At today's levels, that means investors stand to both earn attractive yield with the potential for additional total return from price appreciation. Even if treasury rates stay here, investors enjoy good income. In the less likely scenario of higher yields, overall total return should still be positive given yields would likely offset any rate-related price decline.

Tax-advantaged portfolios of high quality (A-rated or better) look especially attractive when considering their taxable equivalent yields. Preferred securities with qualified dividend treatment at capital gains rates offer both some of the highest outright as well as tax-advantaged yield of any sector we manage. They work especially well in combination with high quality municipals. A still solid economy remains supportive of both investment grade and higher quality high yield, as well as preferreds. Please reach out to your Morgan Stanley financial advisor to learn more.

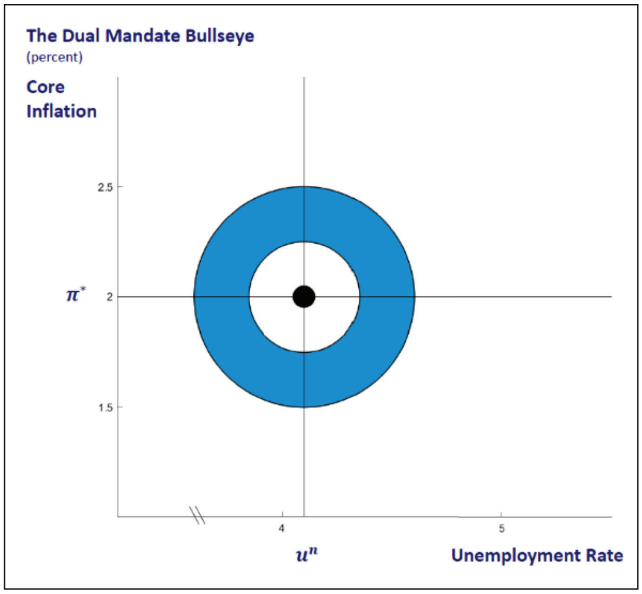
Hitting the policy bullseye to avoid doing too little or being too late

- The Federal Reserve Act of 1913 established the Federal Reserve System as the central bank of the United States to provide the nation with a safer, more flexible, and more stable monetary and financial system.
- The law sets out the purposes, structure, and functions of the System as well as outlines aspects of its operations and accountability.
- Congress has the power to amend the Federal Reserve Act, which it has done several times over the years.
- The 1977 Amendments to the Federal Reserve Act specifically articulated three goals for Fed policy:

> **Section 2A. Monetary policy objectives**
>
> The Board of Governors of the Federal Reserve System and the Federal Open Market Committee shall maintain long run growth of the monetary and credit aggregates commensurate with the economy's long run potential to increase production, so as to promote effectively the goals of maximum employment, stable prices, and moderate long-term interest rates.
>
> [12 USC 225a. As added by act of November 16, 1977 (91 Stat. 1387) and amended by acts of October 27, 1978 (92 Stat. 1897); Aug. 23, 1988 (102 Stat. 1375); and Dec. 27, 2000 (114 Stat. 3028).]

- The Fed's primary dual mandate requires multi-tasking between watching jobs along with inflation
- During recent semi-annual Humphrey Hawkins Congressional testimony, Powell said, "*The economy has made considerable progress toward our dual-mandate objectives. Inflation has eased substantially over the past year", adding that labor market conditions "have cooled while remaining strong".*

"We're not just an inflation-targeting central bank. We also have an employment mandate."
— Federal Reserve Chair Powell, 2024 July Humphrey Hawkins Congressional Testimony

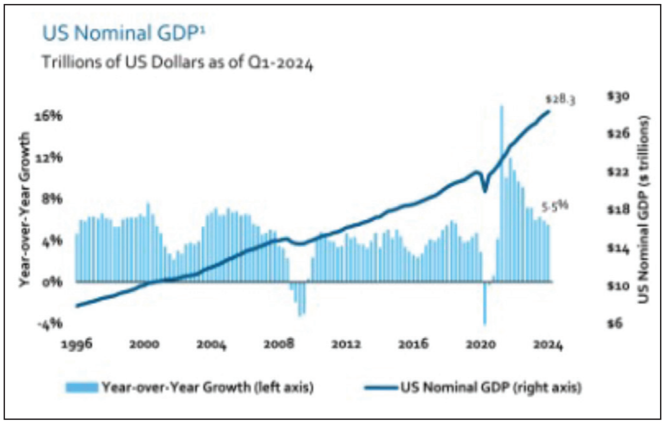


Source: St. Louis Federal Reserve Bank

- Having missed the always moving π^* policy rate bullseye, especially fast moving following the post-Covid inflation spike the Fed misinterpreted as "transitory", the central bank was then forced into a hyper-response of increasing the fed funds rate by the largest amount in the shortest amount of time seen in over a generation.
- While such hyper-response looks to have been warranted, the Fed now worries about how and when to dial back on such tight policy as Powell told Congress this month:

"Reducing policy restraint too late or too little could unduly weaken economic activity and employment."
— Federal Reserve Chair Powell, 2024 July Humphrey Hawkins Congressional Testimony

The train has started leaving the station while the Fed fumbles to punch its ticket



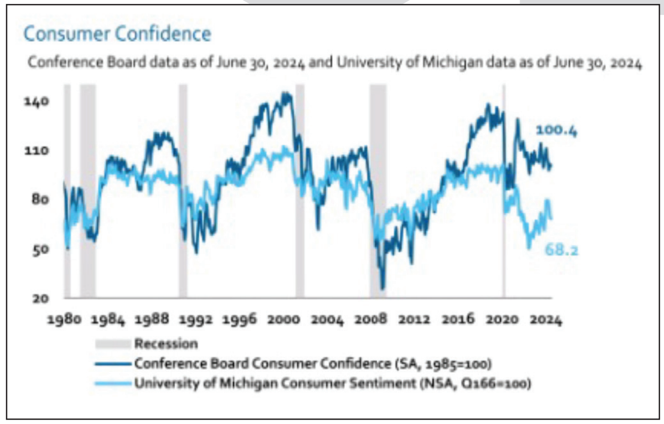
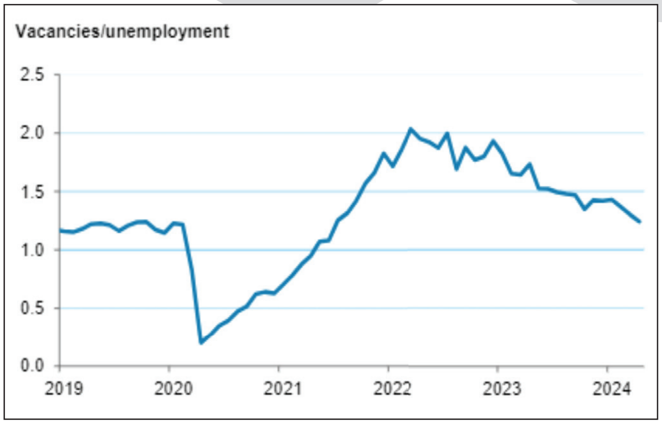
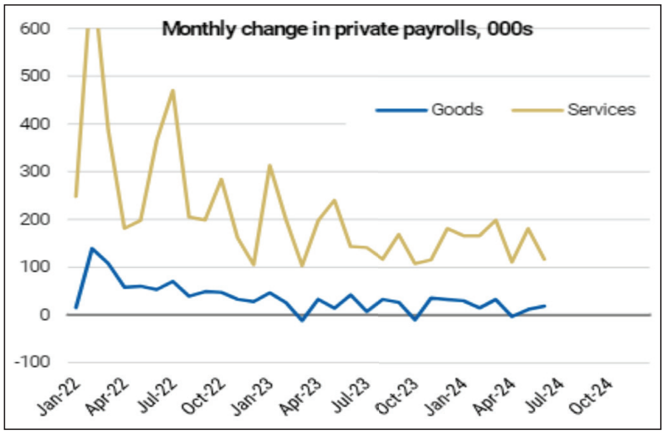


Chart Source: Morgan Stanley Economics Research

- Signs have already started manifesting around a slowing U.S. economy:
  - *Q2 GDP report reaffirm domestic demand slowing but still solid, from 2.9% in 2023 to 2.6% 1st half 2024*
  - *June Consumer Confidence fell from downwardly revised May with present conditions dropping 2 to 73*
  - *Lower consumer expectations drove another monthly drop in leading economic indicators*
  - *Citi Economic Surprise Index has spent the year dropping further into worse-than-expected territory*

The Fed has work to do for a labor market showing increasing signs of slowing





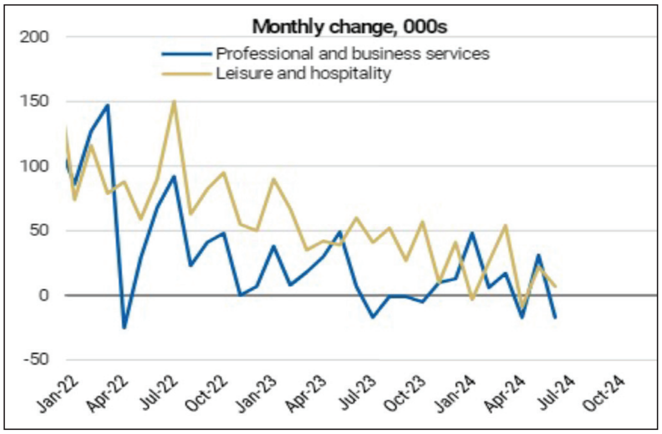
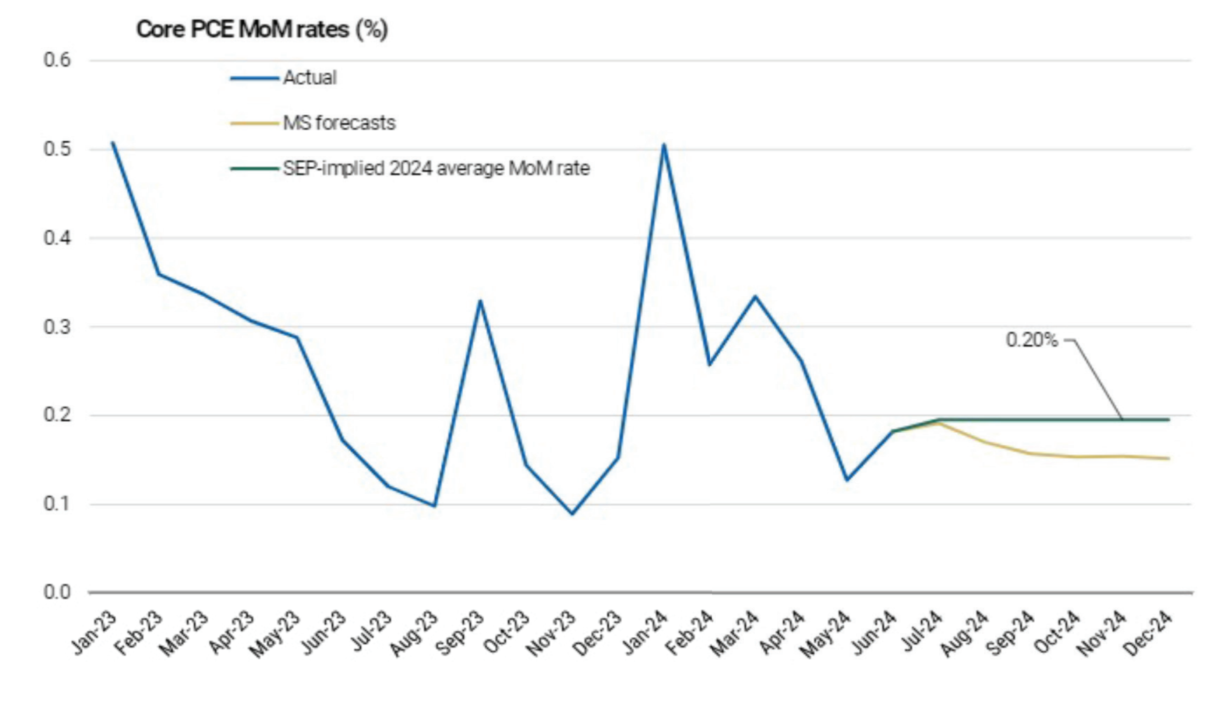


Chart Source: Morgan Stanley Economics Research

■ Looking under the hood of the labor market shows several indications of continued slowing:

- *Weekly jobless claims have been on the rise since April as elevated continuing claims means no new jobs*
- *Declining vacancy rates confirm what elevated claims tell us about reduced employer labor demand*
- *Service sector employment has cooled as the post-Covid surge in travel and leisure subsides*
- *Business services hiring also has turned negative, perhaps as companies explore AI substitutions*

The trend is the Fed's friend as core PCE looks sustainably headed towards the 2% target



Source: BEA, Fed, Morgan Stanley Research

- Overall headline PCE inflation came in at 0.08% for June, bringing the year-over-year rate to 2.51%
- Fed favored Core Goods inflation accelerated only slightly after a weak print in May while Core Services decelerated a bit with a sharp deceleration in housing prices (0.27% vs 0.42%)
- Core services ex-housing increased only slightly by 0.19% vs. 0.18% in May
- The rate of increase in Core PCE annualized inflation over the past 3 months has fallen to 2.31%, a large drop from May's 2.93%
- MS forecasts Core PCE inflation at 2.7% 4Q/4Q, below the Fed's current median forecast of 2.8%, leaving our economists still high conviction for 3 rate cuts in 2024 beginning in September

Chaotic politics as usual in an economic swing state

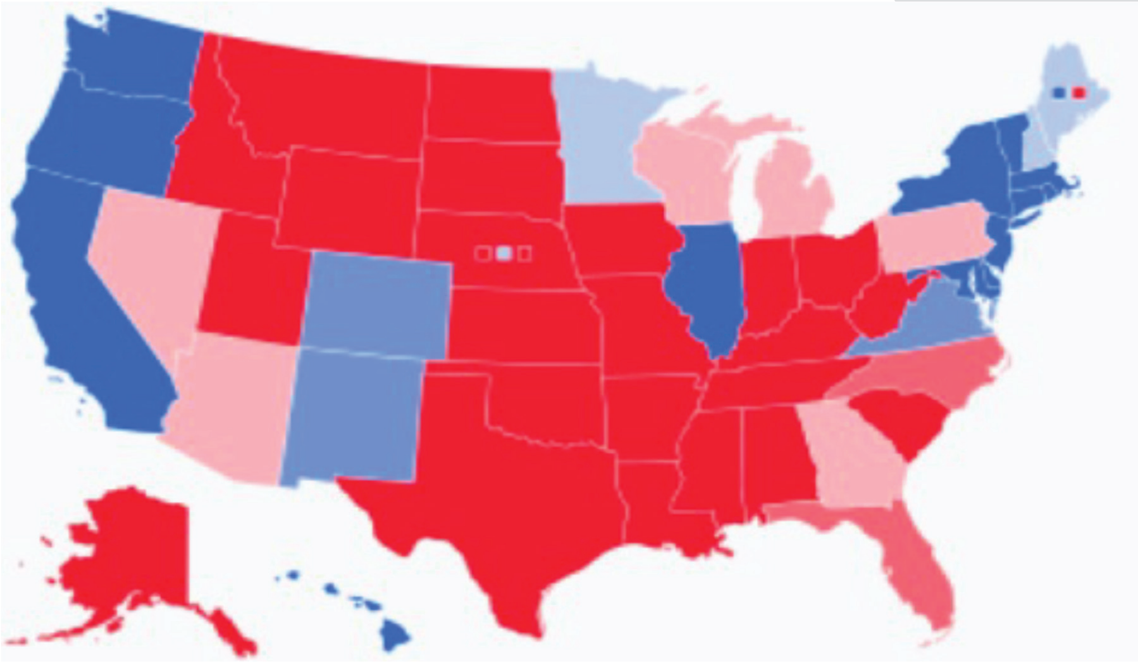


Chart Source: Morgan Stanley Fixed Income Research

- In a recent note "New Candidate, Same Implications", MS Global Head of Fixed Income Research, Michael Zezas argues that even after an almost unprecedented incumbent candidate departure from the race for president along with the attempted assassination of the other major party candidate, little difference in the eventual outcome can be discerned from the presently still close race between now Vice President Kamala Harris and former President Trump:
    - *Polls have returned to too close to call as between Harris and Trump*
    - *Chances for a Republican sweep of Congress similarly have reverted to 35% from a high of 50%*
    - *Implications for a Harris vs. Biden victory look marginal given VP Harris' role as an advocate within the Biden Administration for current policies and Biden campaign platform*
        - *As a presidential candidate in the 2020 primary, her views on healthcare and tax policy were closer to Biden's than most of then other candidates*
    - *During the tumultuous transition of the Democratic ticket as polls showed high probabilities for a Trump 2nd term, one of the so-called Trump trades saw a pivot and re-steepening of the treasury curve*
        - *Investors foresee inflationary implications from expected trade and immigration policies*
        - *Concern for fiscal outlook leading to continued large, increasing deficits and treasury supply*

We also see the potential in both candidates for an anti-growth economic response to their policies that could further weigh on the Fed and interest rates

Investor cognitive dissonance for the future direction of short-term interest rates continues

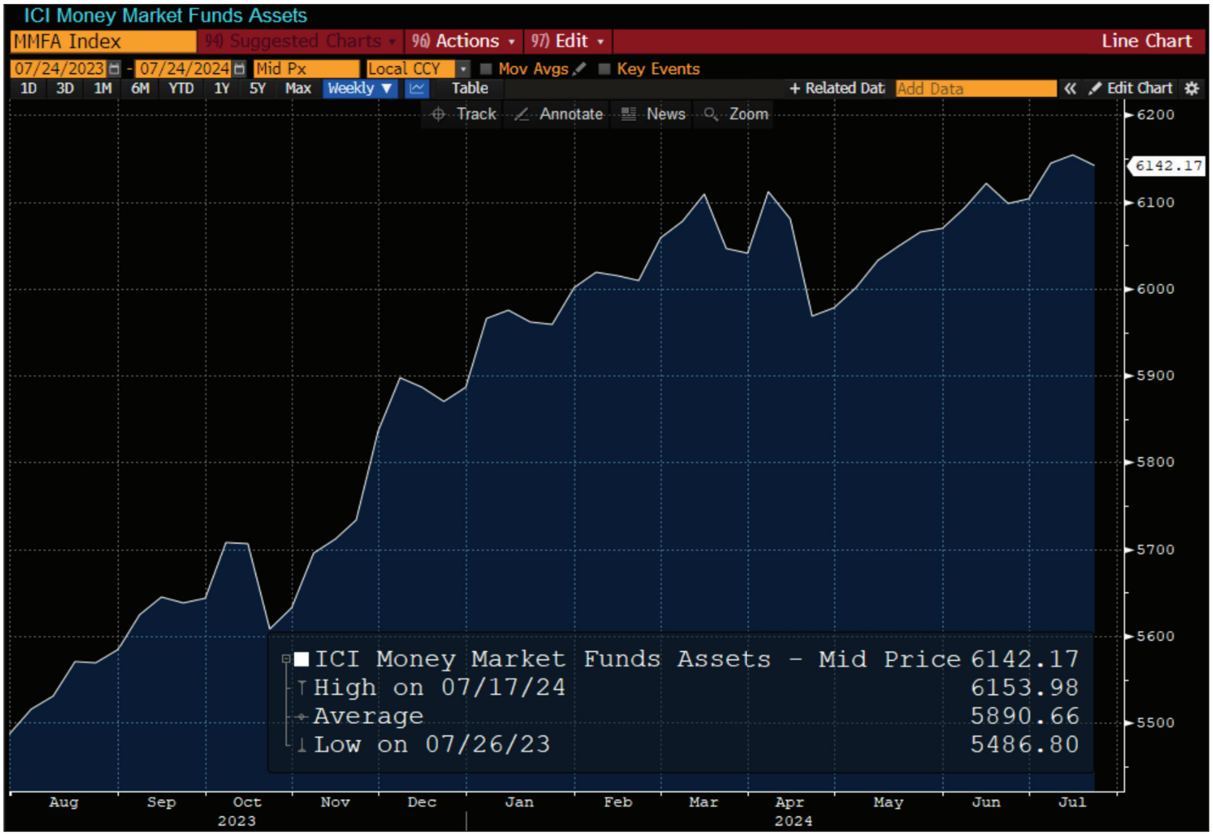


Chart Source: Bloomberg, LLP

- Money Market Fund AUM remarkably just hit another all-time high, providing tremendous tinder for the eventual reality that today's high short-term interest rates may soon be coming down and becoming a thing of the past
- We strongly continue to encourage extension to the immediate portion of the curve to both capture today's still attractive yields plus opportunity for price appreciation and additional positive total return

Riding the wave – positioning for an expected bullish re-steepening of the Treasury yield curve

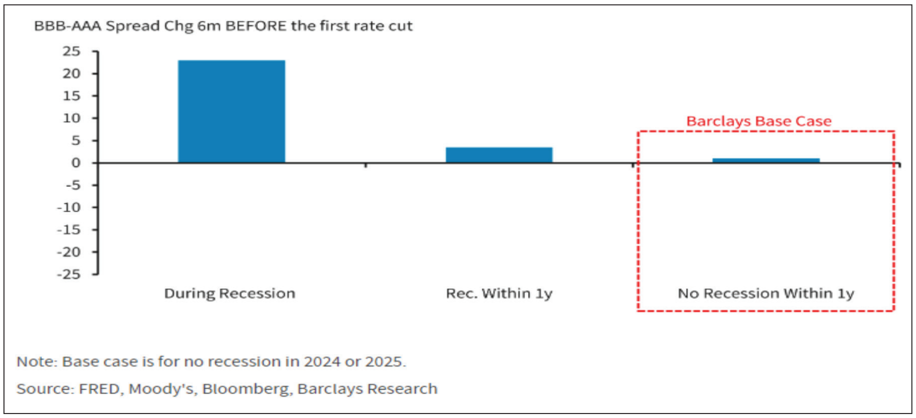
Source: Bloomberg LLP

- Over the past year and throughout 2024, the Treasury curve has been in a pivoting, re-steepening process
- Front-end yields have moved lower while longer-dated Treasury yields have moved higher
- Little change thus far at the 5-year pivot point still subject to tremendous influence by Fed rate cuts and so looks to us to be set up for what we see as best risk/reward for portfolio duration positioning

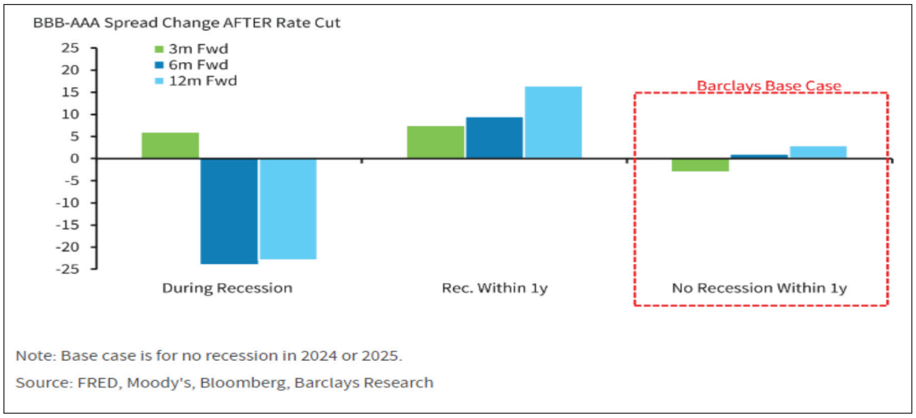
Investment Grade Market – Spreads before and after Fed interest rate cuts

- With a still steady economy soon to be supported by easier Fed policy, we see great opportunity in intermediate investment grade corporate bonds

- With significant pick up in yield to Treasuries, consideration needs to be given to how spreads have historically responded to Fed rate cut cycles

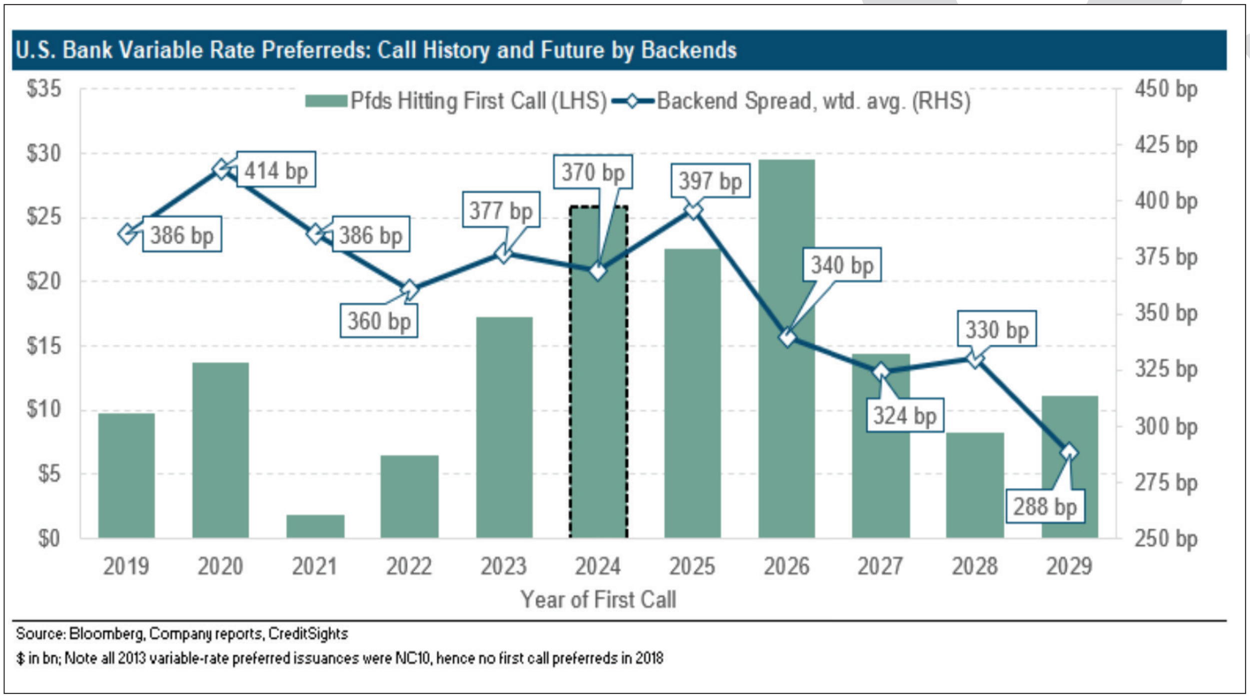


- The top chart looks at spread performance in the six months preceding a first rate cut:
    - *In a recession, spreads widen and price suffer, an unlikely scenario given we do not look poised for recession with a first rate cut in September looking highly probable*
    - *Even when recession comes with in a year or if no recession occurs, spreads hold in as the Fed eases policy in support of the economy with credit a beneficiary*



- The bottom chart looks at spread performance after a first rate cut:
    - *Again, historically in a recession after cutting, spreads initially have widened in the first 3 months but then tighten by as much as 25 basis points, compounded by lower Treasury yields, all adding price performance*
    - *With recession coming within a year of the first cut, spreads have moved wider by as much as nearly 20 basis points, but more than offset by the move lower in Treasury yields*
    - *Base case no recession soft landing scenario has seen very little change in spreads, offering great additional carry from investing in credit and total return upside from the move lower in Treasuries as the Fed lowers interest rates*

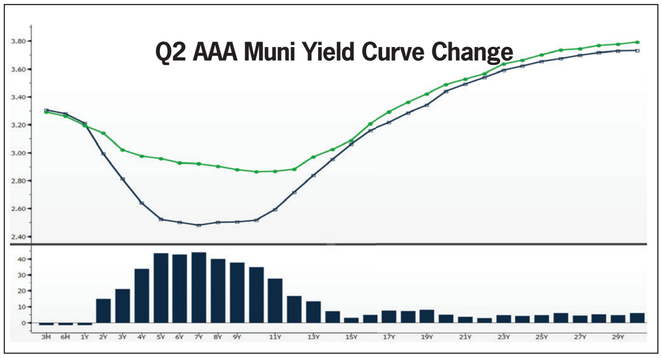
Preferreds – Should I expect a call?



- Over $25bn callable in 2024 with the average weighted back-end coupon sitting at 370bps
    - *WFC and C have already redeemed and reissued in 2024*
    - *New back-end coupons coming 260-290bps*
        - *Notice 2029 paper has an average of 288bps in back end spread, reflecting many of the newly issued NC 5 structures*
- Expect more calls through 2026
    - *With excess capital on the balance sheet, the question remains if there will be enough supply to replace the paper being taken out*

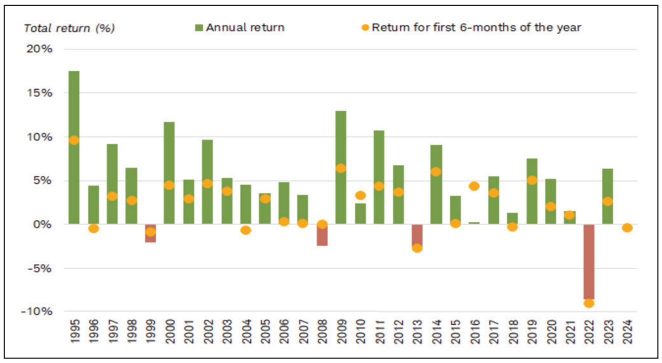
2024 Q3 Municipal Market Outlook – Strong performance continues so far in 2024

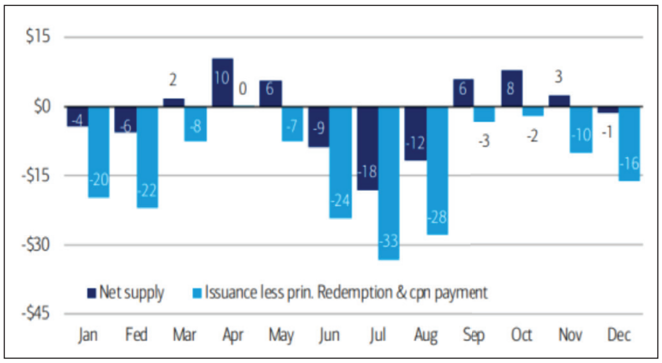
Belly of AAA Curve Underperforms in Q2; Barbell Strategy Drives Positive Performance



Muni Curve Performance		
	2Q TR (%)	YTD TR (%)
1-3 Year Muni	0.68%	0.71%
3-7 Year Muni	-0.19%	-0.51%
7-12 Year Muni	-0.77%	-1.11%
12-22 Year Muni	0.40%	0.12%
22 Year+ Muni	0.96%	0.38%

Second Half Returns Should Improve As Inflation Slows, Technicals Improve





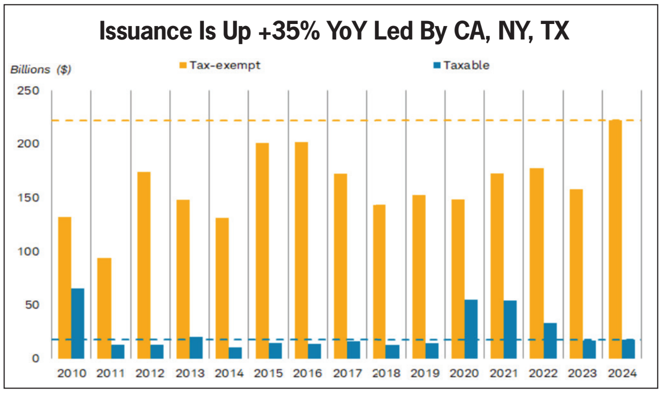
Charts Source: Morgan Stanley Municipal Research

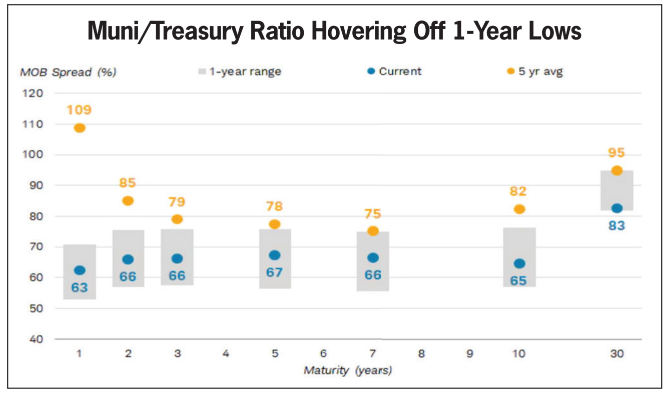
- Despite an enormous amount of volatility, record issuance, and a number of other headwinds, municipals have fared well so far in 2024
- Shift in sentiment in late May that we see setting up a likely stronger second half, but portfolio construction remains crucial
- Top graph shows the change across the Municipal yield curve. We've been utilizing a barbell structure in our portfolios with exposure focused in the 1-3 and 15-20 year parts of the curve
- The inversion is less pronounced today, but we still are recommending a barbelled portfolio.
    - *The barbell allows us to take advantage of the curve inversion, picking up incremental yield in the front-end while maintaining duration targets and providing total return opportunity with exposure further out on the curve*
    - *15-20 year maturities also offer some of the steepest roll-down for both 4% and 5% coupons and allows investors to capture 90% of the total yield curve*

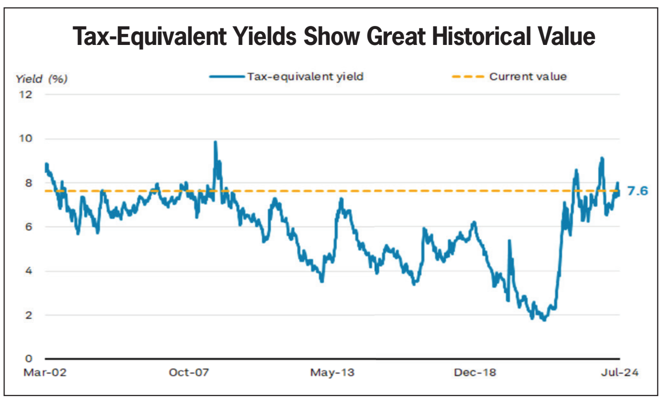
As the lower charts show, the supply/demand picture looks to follow a very supportive supply/demand technical outlook for the balance of 2024 with reduced supply facing strong maturities, redemptions, portfolio cash flows and outright additional demand

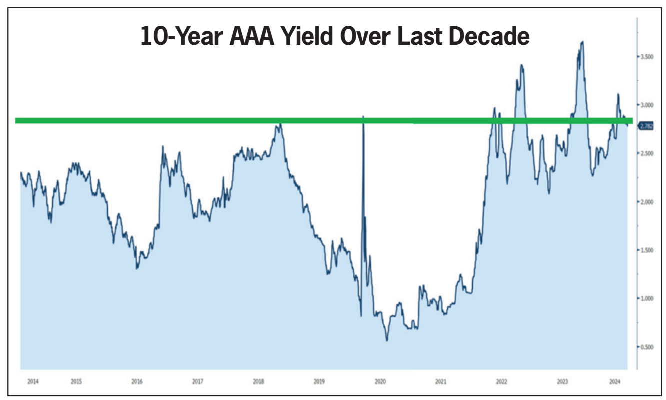
2024 Q3 Municipal Outlook – Taxable equivalent yields remain attractive

Valuations Stay Rich Despite Massive Supply; Absolute and Taxable-Equivalent Yields Remain Attractive









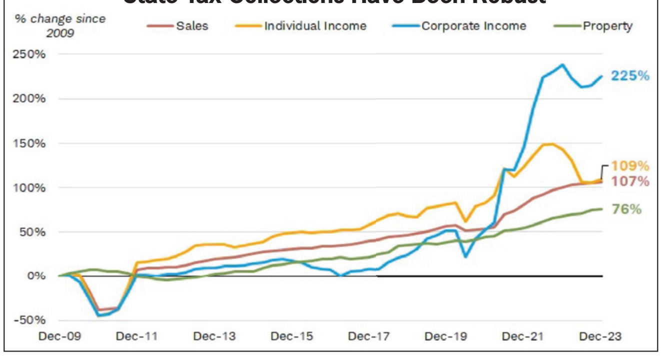
Charts Source: Morgan Stanley Municipal Research

- Taxable equivalent yields are currently north of 7.5% for an investor in the top tax-bracket in a high tax state
- Just three years ago, 10-year municipals were yielding sub 1%. Five years ago, they were sub 1.50%
  - *10-year AAA yields are close to 3% and are in the upper 90th percentile of where they have traded over the last decade*

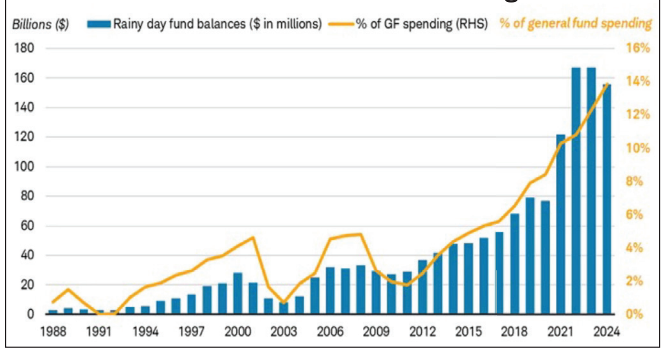
2024 Q3 Municipal Outlook – Giving Municipals credit for strong underlying financial metrics

Tax Revenues and Healthy Reserves Have Muni Credit in Solid Shape

State Tax Collections Have Been Robust



Reserve Levels Are Near 40 Year Highs



Average Credit Quality at Highest Level in Years

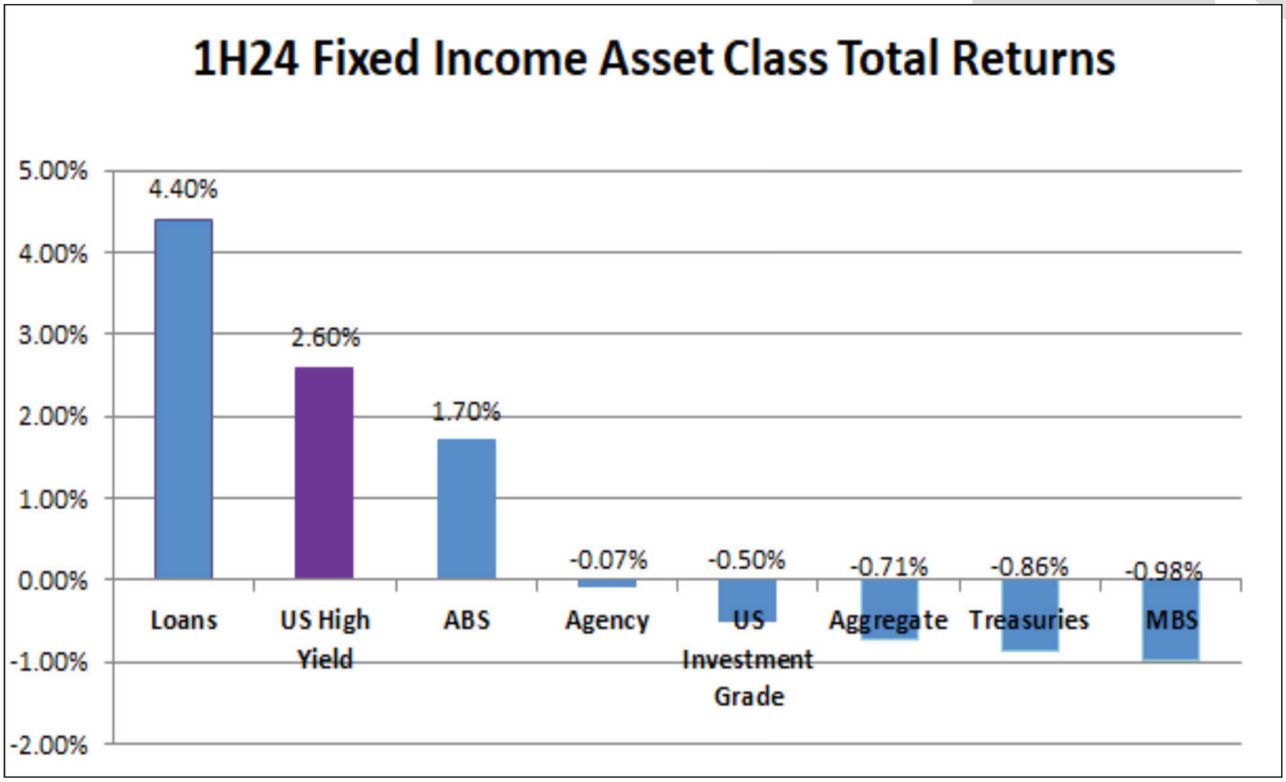
Municipal Stability Reflected In Moody's 2024 Sector Outlook

Category	Sector	Moody's outlook		
		2024	2023	2020
Transportation	Airport	Stable	Stable	Negative
	Mass transit	Negative	Negative	Negative
	Public ports	Stable	Stable	Negative
	Toll roads	Stable	Stable	Negative
Higher education	Privates	Stable	Negative	Negative
	Publics	Stable	Negative	Negative
	Charter schools	Stable	Stable	N/A*
General obligation	State governments	Stable	Stable	Negative
	Local governments	Stable	Stable	Negative
Utilities	Public power	Stable	Stable	Stable
	Water/Sewer	Stable	Stable	Stable
Health care	Not for profit hospitals/Health care	Stable	Negative	Negative
Other	Housing	Stable	Stable	Stable
	Not for profit	Stable	Stable	Negative

Charts Source: Morgan Stanley Municipal Research

- We see a stable state for municipal credit, despite our view that the economy is set to slow, believing that municipalities have more than enough flexibility to help weather the storm.
  - *State tax collections have been extremely robust and reserve levels are near 40-year highs.*
  - *Default rates remain extremely low and the average credit quality of the municipal index is at its highest level since 2007.*
  - *Public pensions are also in great shape with funding ratios near 83%, the highest level in 2 years and the third highest since data collection began.*

High Yield Market: 2024 YTD Outperformance

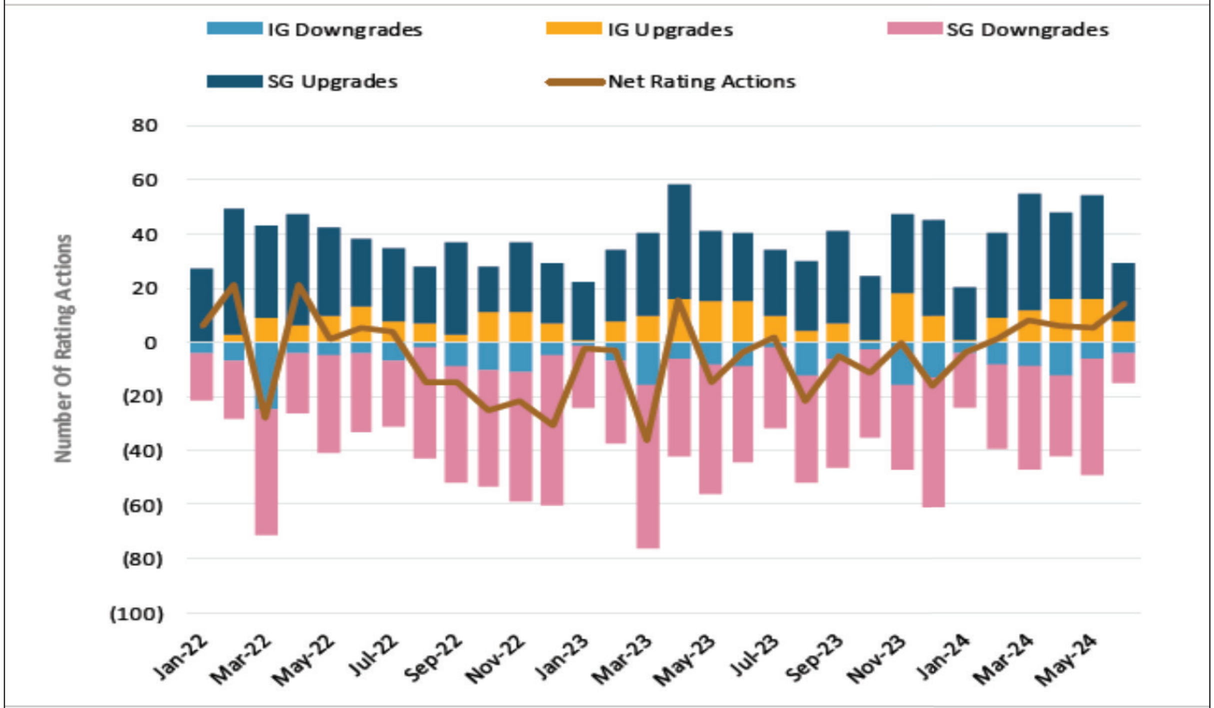


Source: Bloomberg, S&P LCD, Morgan Stanley Research

- In 1H24, US HY outperformed other fixed income asset classes, and was comparable to money market funds, returning ~2.6%.
- Our long-time thesis in favor of credit credit risk vs. rate risk continued to work well.
- Credit enjoyed strong technicals this year, as institutions have increased their asset allocations into bonds, trying to lock in all-time-high yields.

High Yield Market: Goldilocks continues in terms of credit market fundamentals

Net rating actions are positive in 2024

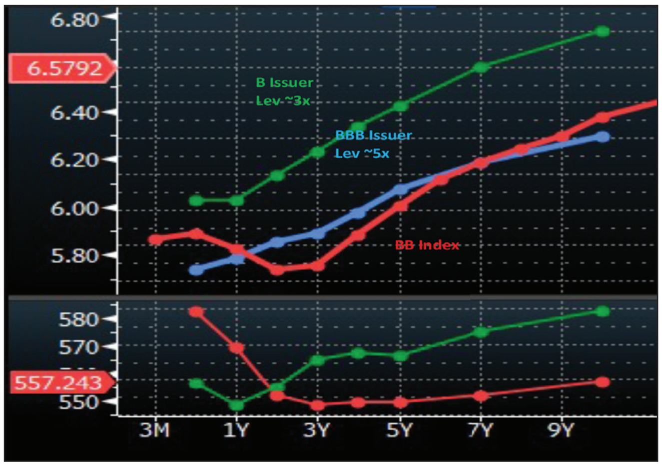


Downgrades exclude defaults. Downgrade ratios exclude defaults. Excludes Sovereign. Downgrade ratios include financials and nonfinancials. Data as of June 17, 2024. S&P Global Ratings Credit Research & Insights.

- Steady underlying economic fundamentals continue to supporting our positive credit bias
- After two quarters of earning report, about 1/3 of those issuers revised their guidance even higher
- In spite of some signs of slight deterioration, overall economic growth is healthy enough that investors continue to assign higher probability of a soft landing or no landing
- The chart supports this view indicating still-positive net rating actions

High Yield Market: Crossing over for better risk-adjusted yield and return

Crossover Credit Illustration



Source: Bloomberg

High Yield – Yield to Maturity

Source: Bloomberg

- Crossover credit refers to companies that are rated non-investment grade (i.e.: below triple-B) by one of two or more rating agencies
- In the crossover space, ratings, pricing, and fundamentals can become disconnected, allowing active managers to take advantage to generate alpha
- In the chart on the left, the red line double-B Index yield indicates where average double-B bonds yield by maturity
- The blue line shows the same for BBB credits where in 1-5yr range BBBs yield higher than BBs, a very abnormal circumstance of higher quality demanding more spread
- Compare now the green Healthcare sector yield plot to the blue BBB line that is composed of Healthcare names
- Much higher rated triple-Bs we see as fundamentally inferior with 5x leverage with little fundamental improvement in sight
- The single-B Healthcare names shockingly have average leverage under 3x, continuously improving towards 2x
- We look to take advantage of such disconnects in the crossover space.
- You can see from the right hand side, the yield of HY has been all time high and stable in recent periods

IMPORTANT INFORMATION

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Bonds are subject to interest rate risk. When interest rates rise, bond prices fall; generally the longer a bond's maturity, the more sensitive it is to this risk. Bonds may also be subject to call risk, which is the risk that the issuer will redeem the debt at its option, fully or partially, before the scheduled maturity date. The market value of debt instruments may fluctuate and proceeds from sales prior to maturity may be more or less than the amount originally invested or the maturity value due to changes in market conditions or changes in the credit quality of the issuer. Bonds are subject to the credit risk of the issuer. This is the risk that the issuer might be unable to make interest and/or principal payments on a timely basis. Bonds are also subject to reinvestment risk, which is the risk that principal and/or interest payments from a given investment may be reinvested at a lower interest rate.

Interest in municipal bonds is generally exempt from federal income tax. However, some bonds may be subject to the alternative minimum tax (AMT). Typically, state tax-exemption applies if securities are issued within one’s state of residence and, local tax-exemption typically applies if securities are issued within one’s city of residence.

Bonds are affected by a number of risks, including fluctuations in interest rates, credit risk and prepayment risk. In general, as prevailing interest rates rise, fixed income securities prices will fall. Bonds face credit risk if a decline in an issuer's credit rating, or creditworthiness, causes a bond's price to decline. Finally, bonds can be subject to prepayment risk. When interest rates fall, an issuer may choose to borrow money at a lower interest rate, while paying off its previously issued bonds. As a consequence, underlying bonds will lose the interest payments from the investment and will be forced to reinvest in a market where prevailing interest rates are lower than when the initial investment was made. NOTE: High yield bonds are subject to additional risks such as increased risk of default and greater volatility because of the lower credit quality of the issues.

A taxable equivalent yield is only one of many factors that should be considered when making an investment decision. Morgan Stanley and its Financial Advisors or Private Wealth Advisors do not offer tax advice; investors should consult their tax advisors before making any tax-related investment decisions.

Duration, the most commonly used measure of bond risk, quantifies the effect of changes in interest rates on the price of a bond or bond portfolio. The longer the duration, the more sensitive the bond or portfolio would be to changes in interest rates. Generally, if interest rates rise, bond prices fall and vice versa. Longer-term bonds carry a longer or higher duration than shorter-term bonds; as such, they would be affected by changing interest rates for a greater period of time if interest rates were to increase. Consequently, the price of a long-term bond would drop significantly as compared to the price of a short-term bond

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Holdings are subject to change daily, so any securities discussed in this material may or may not be included in your account if you invest in this investment strategy. Past performance of any security is not a guarantee of future performance. There is no guarantee that this investment strategy will work under all market conditions. Do not assume that any holdings mentioned were, or will be, profitable.

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Preferred securities can be called prior to maturity, which may reduce yield if purchased at a premium. Preferred securities may be subject to other call features or corporate restrictions that may have an effect similar to a call. Prices may fluctuate reflecting market interest rates and the issuer's credit status.

Foreign currencies may have significant price movements, even within the same day, and any currency held in an account may lose value against other currencies. Foreign currency exchanges depend on the relative values of two different currencies and are therefore subject to the risk of fluctuations caused by a variety of economic and political factors in each of the two relevant countries, as well as global pressures. These risks include national debt levels, trade deficits and balance of payments, domestic and foreign interest rates and inflation, global, regional or national political and economic events, monetary policies of governments and possible government intervention in the currency markets, or other markets.

Technical analysis is the study of past price and volume trends of a security in an attempt to predict the security's future price and volume trends. Its limitations include but are not limited to: the lack of fundamental analysis of a security's financial condition, lack of analysis of macroeconomic trend forecasts, the bias of the technician's view and the possibility that past participants were not entirely rational in their past purchases or sales of the security being analyzed. Investors using technical analysis should consider these limitations prior to making an investment decision.

Investors should carefully consider the investment objectives and risks as well as charges and expenses of a mutual fund before investing. To obtain a prospectus, contact your Financial Advisor or visit the fund company's website. The prospectus contains this and other important information about the mutual fund. Read the prospectus carefully before investing.

Treasury and Government Money Market: You could lose money by investing in the Fund. Although the Fund seeks to preserve your investment at $1.00 per share, it cannot guarantee it will do so. An investment in the Fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The Fund's sponsor has no legal obligation to provide financial support to the Fund, and you should not expect that the sponsor will provide financial support to the Fund at any time.

You could lose money by investing in a Money Market Fund. Because the share price of the Fund will fluctuate, when you sell your shares they may be worth more or less than what you originally paid for them. The Fund may impose a fee upon sale of your shares or may temporarily suspend your ability to sell shares if the Fund's liquidity falls below required minimums because of market conditions or other factors. An investment in the Fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The Fund's sponsor has no legal obligation to provide financial support to the Fund, and you should not expect that the sponsor will provide financial support to the Fund at any time.

Indices are unmanaged. An investor cannot invest directly in an index.

For index, indicator and survey definitions referenced in this report please visit the following: https://www.morganstanley.com/wealth-investmentsolutions/wmir-definitions

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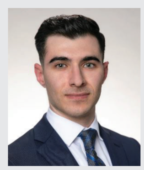

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2019-2020 Forbes Best-In- State Wealth Advisors Source: Forbes.com (Awarded 2019-2020). Data compiled by SHOOK Research LLC based 12-month time period concluding in June of year prior to the issuance of the award.
Please refer to important criteria and methodology at the end of this material.

On Wall Street's Top 40 Under 40 asks brokerage firms to nominate their top young brokers. Of those nominated, On Wall Street bases its rankings on quantitative and qualitative criteria. Financial Advisors are ranked by their annual trailing 12-month production (as of September 30, 2017 and 2018). The rating is not indicative of the advisor's future performance. Neither Morgan Stanley Smith Barney LLC nor its Financial Advisors pay a fee to On Wall Street in exchange for the rating.

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