Investment Perspectives
From the Global Investment Committee
Investing With Impact Framework

Investing with Impact is an overarching concept comprised of four different approaches: Values Alignment, ESG Integration, Sector Exposure and Impact Investing, as outlined in our proprietary Framework below. This Framework seeks to distill best practices and key approaches to achieving investors’ impact objectives with the goal of advancing the industry forward.

<table>
<thead>
<tr>
<th>Values Alignment</th>
<th>Environmental, Social and Governance (ESG) Integration</th>
<th>Thematic Exposure</th>
<th>Impact Investing</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Definition</strong></td>
<td>Proactively considering ESG criteria alongside financial analysis to identify opportunities and risks during investment process</td>
<td>Focusing on themes and sectors dedicated to solving sustainability-related domestic and global challenges</td>
<td>Allocating to investment funds focused on private enterprises structured to deliver specific positive social and/or environmental impacts</td>
</tr>
<tr>
<td><strong>Impact Investment Characteristics</strong></td>
<td>Public equity and public fixed income</td>
<td>Public equity and public fixed income</td>
<td>Differentiated by impact approach, regional focus, liquidity and impact reporting</td>
</tr>
<tr>
<td><strong>Investment Examples</strong></td>
<td>Differentiated by restriction criteria and degree of shareholder advocacy</td>
<td>Differentiated by ESG integration process and degree of shareholder advocacy</td>
<td>May have investor restrictions</td>
</tr>
<tr>
<td></td>
<td>Not proactively seeking environmental and social impact</td>
<td>May also include screens</td>
<td>A private equity fund focused on emerging consumers or project level renewable energy investment</td>
</tr>
<tr>
<td></td>
<td>Mutual fund that excludes companies from buy universe (e.g., tobacco, firearms, coal mining companies)</td>
<td>Separately Managed Account (SMA) incorporating analysis of ESG performance into stock selection process</td>
<td>Exchange-traded fund (ETF) tracking index of renewable energy companies</td>
</tr>
</tbody>
</table>

**Public Markets**

- Public equity, public fixed income, alternatives
- Differentiated by restriction criteria and degree of shareholder advocacy
- Not proactively seeking environmental and social impact
- Mutual fund that excludes companies from buy universe (e.g., tobacco, firearms, coal mining companies)

**Private Markets**

- Public equity and public fixed income
- Differentiated by ESG integration process and degree of shareholder advocacy
- May also include screens
- Separately Managed Account (SMA) incorporating analysis of ESG performance into stock selection process

Source: Morgan Stanley Wealth Management GIC

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# Debunking Common Myths About Investing with Impact

<table>
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<th>Commonly Held Myth</th>
<th>Investment Reality</th>
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<tbody>
<tr>
<td><strong>Investing with Impact means sacrificing returns</strong></td>
<td>Analysis of Morningstar data tracking self-described sustainable equity mutual funds vs. the universe of traditional funds, found that sustainable funds often performed better and had lower volatility than their category median.¹</td>
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<tr>
<td><strong>Investing with Impact is a niche area</strong></td>
<td>Sustainably invested assets now account for more than one out of every six dollars under professional management in the US.²</td>
</tr>
<tr>
<td><strong>Investing with Impact investment products are limited</strong></td>
<td>In 2014, 925 distinct funds, representing $4.31 trillion in assets incorporated ESG criteria, more than four times the $1.01 trillion tracked in 2012.²</td>
</tr>
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Bottom Line: Investing with Impact Is Gaining Momentum

- 65% of individual investors expect sustainable investing to become more prevalent in the next five years.¹

- By 2050, the business opportunities for sustainability-focused companies are expected to be between $3 trillion and $10 trillion annually, or up to 4.5% of global GDP.²

- Companies are improving their competitive position and returns by adjusting their business strategies to address long-term global themes/mega-trends, including:

- Morgan Stanley is well-positioned to help deliver impact via customized solutions based on clients’ financial and impact goals.


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The Tradition of Investing With Impact

1898
Quakers Friends Fiduciary corporation founded and adopts no weapons, alcohol or tobacco investment policy

1935
Morgan Stanley founded

1937
Interfaith Center on Corporate Responsibility founded and files first shareholder resolution

1968
Ford Foundation creates Program-Related Investments to place endowment funds directly into income-generating projects with a social purpose

1973
Congress passes CRA Act to reduce discriminatory credit practices against low-income neighborhoods

1977
Norway Government Pension and U.S.'s largest pension, CalPERS, commit to 100% integration of sustainability over 15 years

1984
U.S. SIF, the sustainable investing industry association, founded

1990
Domini Social Index created (now MSCI KLD 400 Social Index)

1993
$625 billion screened to exclude investment in South Africa as a result of apartheid

1997
Pax World launched first socially responsible investing mutual fund

2000
Sullivan Principles of Action and Divestment announced due to apartheid in South Africa

2005
Rockefeller Foundation launches major Impact Investing approach and the term emerges globally

2006
UN Principles for Responsible Investment launched – assets under management by signatories is $4 trillion

2009
Bloomberg adds significant sustainability news and ESG data coverage

2010
Harvard launches Initiative for Responsible Investment (IRI) – previously at Boston College

2011
White house convenes investors, policymakers, entrepreneurs focused on impact investing

2012
Morgan Stanley Launches Investing With Impact Platform in Wealth Management

2013
Sustainable Accounting Standards Board launched; Michael Bloomberg named Chair in 2014

2015
Pope Francis releases Encyclical Letter that includes call to action on climate change mitigation

2016
UN Principles for Responsible Investment assets under management by signatories reaches $59 trillion AUM, a 39% year-on-year increase

2018
350 org catalyzes fossil-fuel divesting campaigns across college campuses

2019
Morgan Stanley Launches Institute for Sustainable Investing in Global Sustainable Finance

2020
U.S. SIF Trends Report: $6.5 trillion in U.S. sustainably managed assets

2021


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GLOBAL INVESTMENT COMMITTEE (GIC) ASSET ALLOCATION MODELS

The Asset Allocation Models are created by Morgan Stanley Wealth Management's GIC.

CLIENTS TO CONSIDER THEIR OWN INVESTMENT NEEDS

The GIC Asset Allocation Models are formulated based on general client characteristics such as investable assets and risk tolerance. This report is not intended to be a client-specific suitability analysis or recommendation, and should not be used as the sole basis for investment decisions. Clients should consider all relevant information, including their existing portfolio, investment objectives, risk tolerance, liquidity needs and investment time horizon. Such a suitability determination may lead to asset allocation(s) results that are materially different from the asset allocation shown in this report. Clients should talk to their Financial Advisor about what would be a suitable asset allocation for them.

HYPOTHETICAL MODEL PERFORMANCE (GROSS)

Hypothetical model performance results do not reflect the investment or performance of an actual portfolio following a GIC Strategy, but simply reflect actual historical performance of selected indices on a real-time basis over the specified period of time representing the GIC’s strategic and tactical allocations as of the date of this report. The past performance shown here is simulated performance based on benchmark indices, not investment results from an actual portfolio or actual trading. There can be large differences between hypothetical and actual performance results achieved by a particular asset allocation or trading strategy. Hypothetical performance results do not represent actual trading and are generally designed with the benefit of hindsight.

Actual performance results of accounts vary due to, for example, market factors (such as liquidity) and client-specific factors (such as investment vehicle selection, timing of contributions and withdrawals, restrictions and rebalancing schedules). Clients would not necessarily have obtained the performance results shown here if they had invested in accordance with any GIC Asset Allocation Model for the periods indicated.

Despite the limitations of hypothetical performance, these hypothetical performance results allow clients and Financial Advisors to obtain a sense of the risk/return trade-off of different asset allocation constructs. The hypothetical performance results in this report are calculated using the returns of benchmark indices for the asset classes, and not the returns of securities, fund or other investment products.

Performance of indices may be more or less volatile than any investment product. The risk of loss in value of a specific investment is not the same as the risk of loss in a broad market index. Therefore, the historical returns of an index will not be the same as the historical returns of a particular investment a client selects.

Models may contain allocations to Hedge Funds, Private Equity and Private Real Estate. The benchmark indices for these asset classes are not issued on a daily basis. When calculating model performance on a day for which no benchmark index data is issued, we have assumed straight line growth between the index levels issued before and after that date.

Fees reduce the performance of actual accounts None of the fees or other expenses (e.g. commissions, mark-ups, mark-downs, fees) associated with actual trading or accounts are reflected in the GIC Asset Allocation Models. The GIC Asset Allocation Models and any model performance included in this presentation are intended as educational materials. Were a client to use these models in connection with investing, any investment decisions made would be subject to transaction and other costs which, when compounded over a period of years, would decrease returns. Information regarding Morgan Stanley’s standard advisory fees is available in the Form ADV Part 2, which is available at www.morganstanley.com/adv. The following hypothetical illustrates the compound effect of fees have on investment returns:

For example, if a portfolio’s annual rate of return is 15% for 5 years and the account pays 50 basis points in fees per annum, the gross cumulative five-year return would be 101.1% and the five-year return net of fees would be 96.8%. Fees and/or expenses would apply to clients who invest in investments in an account based on these asset allocations, and would reduce clients’ returns. The impact of fees and/or expenses can be material.

INSURANCE PRODUCTS AND ETF DISCLOSURES

Morgan Stanley Smith Barney LLC offers insurance products in conjunction with its licensed insurance agency affiliates. An investment in an exchange-traded fund involves risks similar to those of investing in an broadly based portfolio of equity securities traded on an exchange in the relevant securities market, such as market fluctuations caused by such factors as economic and political developments, changes in interest rates and perceived trends in stock and bond prices.

Variable annuities, mutual funds and ETFs are sold by prospectus only. The prospectus contains the investment objectives, risks, fees, charges and expenses, and other information regarding the variable annuity contract and the underlying investments, or the ETF, which should be considered carefully before investing. Prospectuses for both the variable annuity contract and the underlying investments, or the ETF, are available from your Financial Advisor. Please read the prospectus carefully before you invest.

Variable annuities are long-term investments designed for retirement purposes and may be subject to market fluctuations, investment risk, and possible loss of principal. All guarantees, including optional benefits, are based on the financial strength and claims-paying ability of the issuing insurance company and do not apply to the underlying investment options. Optional riders may not be available in or withdrawn. Some optional riders may be elected at time of purchase. Optional riders may be subject to specific limitations, restrictions, holding periods, costs, and expenses as specified by the insurance company in the annuity contract.

If you are investing in a variable annuity through a tax-advantaged retirement plan such as an IRA, you will get no additional tax advantage from the variable annuity. Under these circumstances, you should only consider buying a variable annuity because of its other features, such as lifetime income payments and death benefits protection.

Taxable distributions (and certain deemed distributions) are subject to ordinary income tax and, if taken prior to age 59½, may be subject to a 10% federal income tax penalty. Early withdrawals will reduce the death benefit and cash surrender value.
Asset Class Risk Considerations

For index definitions to the indices referenced in this report please visit the following: http://www.morganstanleyfa.com/public/projectfiles/id.pdf

Equity securities may fluctuate in response to news on companies, industries, market conditions and general economic environment.

Investing in foreign markets entails risks not typically associated with domestic markets, such as currency fluctuations and controls, restrictions on foreign investments, less governmental supervision and regulation, and the potential for political instability. These risks may be magnified in countries with emerging markets and frontier markets, since these countries may have relatively unstable governments and less established markets and economies.

Investing in small- to medium-sized companies entails special risks, such as limited product lines, markets and financial resources, and greater volatility than securities of larger, more established companies.

The value of fixed income securities will fluctuate and, upon a sale, may be worth more or less than their original cost or maturity value. Bonds are subject to interest rate risk, call risk, reinvestment risk, liquidity risk, and credit risk of the issuer.

High yield bonds (bonds rated below investment grade) may have speculative characteristics and present significant risks beyond those of other securities, including greater credit risk, price volatility, and limited liquidity in the secondary market. High yield bonds should comprise only a limited portion of a balanced portfolio.

Interest on 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, if applicable, local tax-exemption applies if securities are issued within one's city of residence.

Treasury Inflation Protection Securities' (TIPS) coupon payments and underlying principal are automatically increased to compensate for inflation by tracking the consumer price index (CPI). While the real rate of return is guaranteed, TIPS tend to offer a low return. Because the return of TIPS is linked to inflation, TIPS may significantly underperform versus conventional U.S. Treasuries in times of low inflation.

Ultrashort-term fixed income asset class is comprised of fixed income securities with high quality, very short maturities. They are therefore subject to the risks associated with debt securities such as credit and interest rate risk.

Alternative investments may be either traditional alternative investment vehicles, such as hedge funds, fund of hedge funds, private equity, private real estate and managed futures or, non-traditional products such as mutual funds and exchange-traded funds that also seek alternative-like exposure but have significant differences from traditional alternative investments. The risks of traditional alternative investments may include: can be highly illiquid, speculative and not suitable for all investors, loss of all or a substantial portion of the investment due to leveraging, short-selling, or other speculative practices, volatility of returns, restrictions on transferring interests in a fund, potential lack of diversification and resulting higher risk due to concentration of trading authority when a single advisor is utilized, absence of information regarding valuations and pricing, complex tax structures and delays in tax reporting, less regulation and higher fees than open-end mutual funds, and risks associated with the operations, personnel and processes of the manager. Non-traditional alternative strategy products 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. Master Limited Partnerships (MLPs) Individual MLPs are publicly traded partnerships that have unique risks related to their structure. These include, but are not limited to, their reliance on the capital markets to fund growth, adverse ruling on the current tax treatment of distributions (typically mostly tax deferred), and commodity volume risk. The potential tax benefits from investing in MLPs depend on their being treated as partnerships for federal income tax purposes and, if the MLP is deemed to be a corporation, then its income would be subject to federal taxation at the entity level, reducing the amount of cash available for distribution to the MLP's partners.

Physical precious metals are the only alternative investments that are commodities. In addition, the commodities markets are subject to temporary distortions or other disruptions due to various factors, including lack of liquidity, participation of speculators and government intervention. Physical precious metals are non-regulated products. Precious metals are speculative investments, which may experience short-term and long term price volatility. The value of precious metals investments may fluctuate and may appreciate or decline, depending on market conditions. Unlike bonds and stocks, precious metals do not make interest or dividend payments. Therefore, precious metals may not be suitable for investors who require current income. Precious metals are commodities that should be safely stored, which may impose additional costs on the investor. REITs investing risks are similar to those associated with direct investments in real estate: property value fluctuations, lack of liquidity, limited diversification and sensitivity to economic factors such as interest rate changes and market recessions.

Before engaging in the purchase or sale of options, potential clients should understand the nature of and extent of their rights and obligations and be aware of the risks involved, including, without limitation, the risks pertaining to the business and financial condition of the issuer of the underlying security or instrument. Options investing, like other forms of investing, involves tax considerations, transaction costs and margin requirements that can significantly affect the profit and loss of buying and writing options. The transaction costs of options investing consist primarily of commissions (which are imposed in opening, closing, exercise and assignment transactions), but may also include margin and interest costs in particular transactions. Transaction costs are especially significant in options strategies calling for multiple purchases and sales of options, such as multiple leg strategies, including spreads, straddles and collars. If you are considering options as part of your investment plan, your Morgan Stanley Financial Advisor or Private Wealth Advisor is required to provide you with the “Characteristics and Risks of Standardized Options” booklet from the Options Clearing Corporation. Clients should not enter into options transactions until they have read and understood the Disclosure Document, as options are not suitable for everyone, and discuss transaction costs with their Financial Advisor or Investment Representative. Please ask your Financial Advisor, Private Wealth Advisor for a copy of the Characteristics and Risks of Standardized Options booklet. A copy of the ODD is also available online at: http://theocc.com/publications/risks/riskchaps1.jsp.

Risks of private real estate include: illiquidity; a long-term investment horizon with a limited or nonexistent secondary market; lack of transparency; volatility (risk of loss); and leverage. Principal is returned on a monthly basis over the life of a mortgage-backed security. Principal prepayment can significantly affect the monthly income stream and the maturity of any type of MBS, including standard MBS, CMOs and Lottery Bonds.
Asset Class Risk Considerations (cont’d)

Asset-backed securities generally decrease in value as a result of interest rate increases, but may benefit less than other fixed-income securities from declining interest rates, principally because of prepayments.

Floating-rate securities The initial interest rate on a floating-rate security may be lower than that of a fixed-rate security of the same maturity because investors expect to receive additional income due to future increases in the floating security’s underlying reference rate. The reference rate could be an index or an interest rate. However, there can be no assurance that the reference rate will increase. Some floating-rate securities may be subject to call risk.

Yields are subject to change with economic conditions. Yield is only one factor that should be considered when making an investment decision.

Credit ratings are subject to change. Companies paying dividends can reduce or cut payouts at any time.

Asset allocation and diversification do not assure a profit or protect against loss in declining financial markets.

Nondiversification: For a portfolio that holds a concentrated or limited number of securities, a decline in the value of these investments would cause the portfolio’s overall value to decline to a greater degree than a less concentrated portfolio. Portfolios that invest a large percentage of assets in only one industry sector (or in only a few sectors) are more vulnerable to price fluctuation than those that diversify among a broad range of sectors.

The indices are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only and do not represent the performance of any specific investment.

The indices selected by Morgan Stanley Wealth Management to measure performance are representative of broad asset classes. Morgan Stanley Wealth Management retains the right to change representative indices at any time.

Because of their narrow focus, sector investments tend to be more volatile than investments that diversify across many sectors and companies.

Growth investing does not guarantee a profit or eliminate risk. The stocks of these companies can have relatively high valuations. Because of these high valuations, an investment in a growth stock can be more risky than an investment in a company with more modest growth expectations.

Value investing does not guarantee a profit or eliminate risk. Not all companies whose stocks are considered to be value stocks are able to turn their business around or successfully implement corrective strategies which would result in stock prices that do not rise as initially expected.

Rebalancing does not protect against a loss in declining financial markets. There may be a potential tax implication with a rebalancing strategy. Investors should consult with their tax advisor before implementing such a strategy.

Any type of continuous or periodic investment plan does not assure a profit and does not protect against loss in declining markets. Since such a plan involves continuous investment in securities regardless of fluctuating price levels of such securities, the investor should consider his financial ability to continue his purchases through periods of low price levels.

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.

Besides the general risk of holding securities that may decline in value, closed-end funds may have additional risks related to declining market prices relative to net asset values (NAVs), active manager underperformance, and potential leverage. Some funds also invest in foreign securities, which may involve currency risk.

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