“The secret of getting ahead, is getting started.” Mark Twain

Investing vs. Saving

(Biggest differences are risk and time)

Investment

Generally long-term

Goal is to increase in value

For retirement and/or child’s college

Saving

Generally short-term

Goal is to not lose value

For purchases and emergencies

Morgan Stanley

The Fundamentals of Investing

Craig Cox, CFP®
Wealth Advisor
08/28/2018

Today's Agenda

I. Major Asset Classes and Investment Vehicle

II. Basic Tenets of Investing

III. Asset Allocation, Diversification, Rebalancing

IV. Bringing It All Together

Morgan Stanley

SECTION 1

Major Asset Classes

Asset Class Map

CASH

Cash Alternatives			U.S. Cash Deposits	Non-USD Deposits
CDs	Money Market	U.S. T-Bill		

FIXED INCOME

Investment Grade								Non-Investment Grade			Convertible Bonds
Treasuries	Agencies	Corporates	Inflation-Protected	Non-U.S.	Mortgages	Municipals	Floating Rates	U.S. High Yield	Emerging Markets Debt	Municipal High Yield	

EQUITIES

U.S.			Developed Market			Emerging Markets			Preferred Stocks
Large Cap	Mid Cap	Small Cap	Large-Cap	Mid Cap	Small Cap	BRIC	Beyond BRIC	Frontier	

ALTERNATIVES

Real Assets	Absolute Return Assets	Equity Hedge Assets	Equity Return Assets	Private Investments

Source: Bloomberg, Morgan Stanley Wealth Management GIC. Beyond BRIC: emerging market countries besides Brazil, Russia, India and China. Frontier: frontier countries are typically less developed than EM nations. Morgan Stanley currently defines 24 nations as frontier nations. These markets tend to be the riskiest markets in the world.

Cash Alternatives for Liquidity and Capital Preservation

CASH				
Cash Alternatives			U.S. Cash Deposits	Non-USD Deposits
CDs	Money Market	U.S. T-Bill		

CERTIFICATE OF DEPOSIT (CD)

A CD is a document issued by the bank to an investor who agrees to deposit their money for a set period of time for an interest rate typically higher than their savings account.

MONEY MARKET FUNDS

Money market funds are mutual funds that invest in short-term debt securities and act like savings accounts but provide higher yield.

U.S. TREASURY BILLS

Treasury Bills are securities issued by the United States Department of Treasury. When issued to companies, such companies are essentially lending the government money.

Source: Morgan Stanley Wealth Management Investment Resources

Fixed Income for Stable Income Stream

FIXED INCOME											
Investment Grade							Non-Investment Grade				Convertible Bonds
Treasuries	Agencies	Corporates	Inflation Protected	Non-U.S.	Mortgages	Municipals	Floating Rates	U.S. High Yield	Emerging Markets Debt	Municipal High Yield	

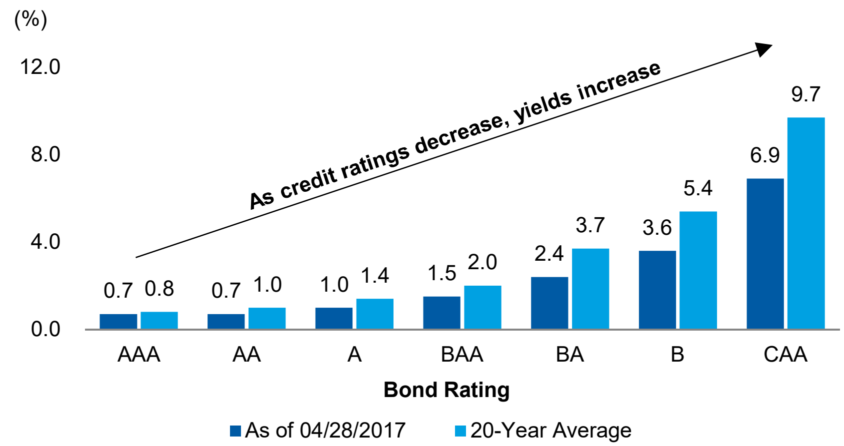
CONSERVATIVE → **AGGRESSIVE**

Fixed Income Coupon

- Coupons or interest payments are the yield collected by the investor at a fixed interval, typically semiannually
- The amount of the coupon is determined by the coupon rate or interest rate
- Coupons make up a large portion of the total return of fixed income securities

Corporate Spreads [1] vs. Average

As of February 28, 2018



Source: Morgan Stanley Wealth Management Investment Resources

1. Option-Adjusted Spread is the measurement of the spread of a fixed income security rate and the risk-free rate of return, which is adjusted to take into account an embedded option. The risk-free rate represents the interest an investor would expect from an absolutely risk-free investment over a specified period of time.

Equity for Capital Appreciation

EQUITIES									
U.S.			Developed Market			Emerging Markets			Preferred Stocks
Large Cap	Mid Cap	Small Cap	Large Cap	Mid Cap	Small Cap	BRIC	Beyond BRIC	Frontier	

DIVIDEND

- An equity security that pays regular dividends, often because the firm is past the point of needing to reinvest profits
- Most have lower levels of volatility than overall stock market and offer higher-than-average market dividend yields

VALUE

- A value stock is a security that has fallen out of favor in the marketplace and is typically priced lower than stocks of similar companies
- Investing in a value stock attempts to capitalize on inefficiencies in the market price

GROWTH

- A growth stock is a security whose earnings are expected to grow at a higher-than-market rate
- Growth stocks typically do not pay dividends and are chosen for their potential capital gains

Source: Morgan Stanley Wealth Management Investment Resources

Selecting Appropriate Asset Classes for Your Goals

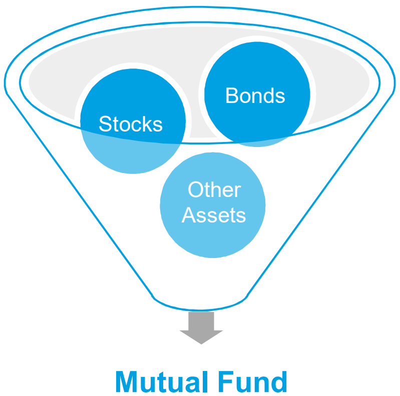
Major Asset Classes

Asset Class	CASH AND CASH ALTERNATIVES	FIXED INCOME	EQUITY	ALTERNATIVES
Description	• Matures <1 year • Highly liquid securities	• Potential periodic income at regular intervals • Varied maturity	• Company ownership	• Lower correlation to the market / other asset classes
Uses	• Capital Preservation	• Capital Preservation • Stable Income Stream	• Capital Appreciation Income	• Capital Appreciation Diversification

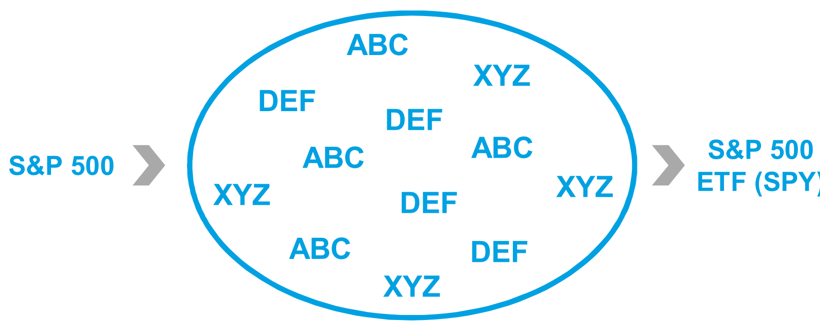
Source: Morgan Stanley Wealth Management Investment Resources

Mutual Funds (MF) and Exchange Traded Funds (ETF)

- A **Mutual Fund** is an investment vehicle funded by shareholders for the purpose of investing in stocks, bonds, money market instruments and other assets
- **MFs** are typically actively managed by professional money managers who make security selection decisions that can lead to higher fees than ETFs
- Mutual Funds enable investment across asset classes that might otherwise be out of reach due to minimum account sizes or high cost



- An **ETF** is an investment vehicle designed to mimic the daily movement of a market index or other benchmark
- **ETFs** are typically passively managed and do not involve security selection. This tracking of the market may not offer the same level of potential dividend returns as owning the stock
- ETFs enable you to gain market exposure at a lower cost, and with more transparency than comparable investment products



Source: Morgan Stanley Wealth Management GIC. Equity securities shown as constituents of the S&P 500 as well as the S&P 500 ETF are for illustrative purposes only

Morgan Stanley

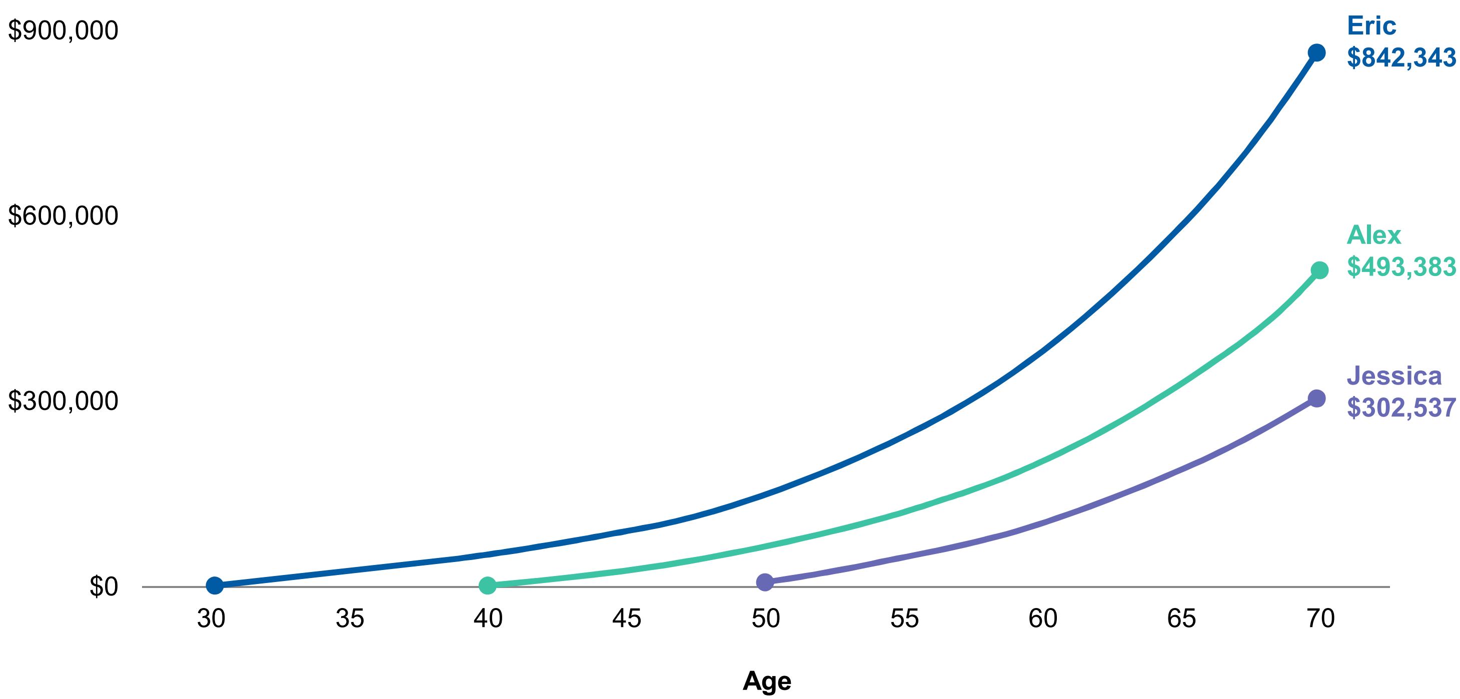
SECTION 2

Basic Tenets of Investing

Morgan Stanley

Need to Save Early: Time is Money

Hypothetical Illustration of the Power of Compounding and Investing Time Horizon (1)



All three investors contribute about the same total amount. Eric ends up with more than $300,000 over the other two investors due to compounding interest.

Eric
- $3,000 invested per year between ages 30 and 70
- Total Invested: $123,000

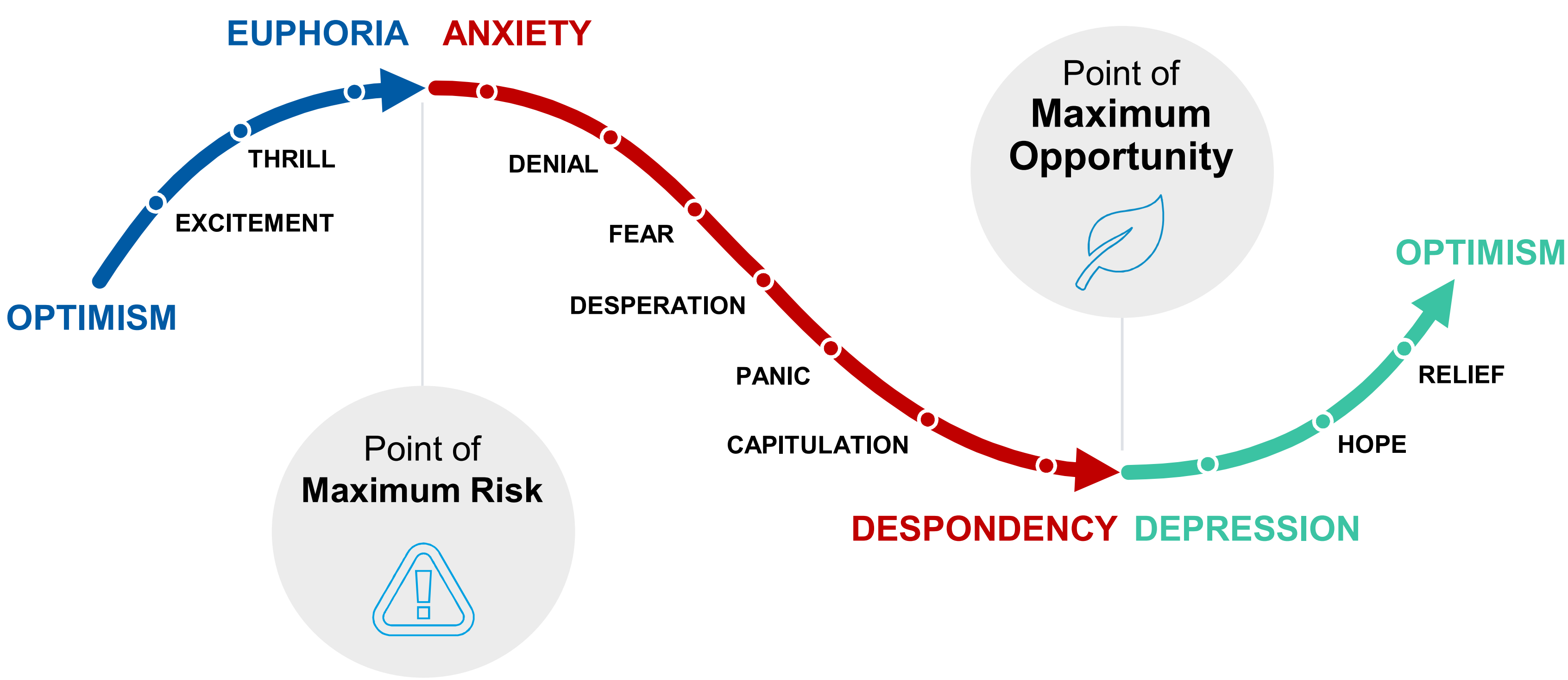
Alex
- $4,000 invested per year between ages 40 and 70
- Total Invested: $124,000

Jessica
- $6,000 invested per year between ages 50 and 70
- Total Invested: $126,000

Source: Morgan Stanley Wealth Management GIC
1. Assumes 8% annual return. For more information about the risks to hypothetical performance please refer to the Risk Considerations section at the end of this material

It’s Easy to Let Emotions Get in the Way

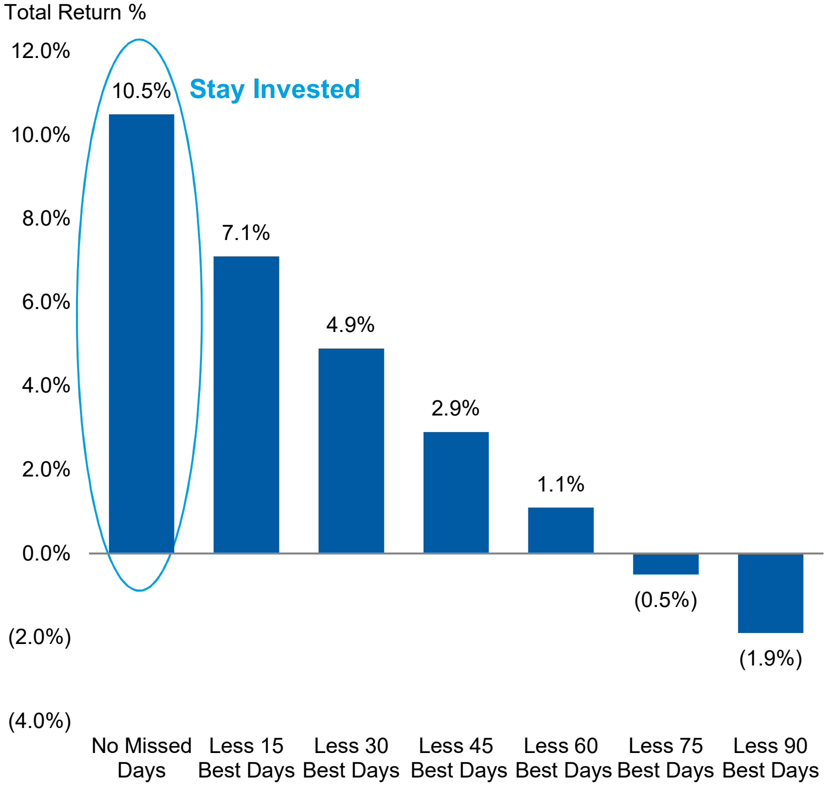
Having a plan and sticking to it can help you avoid common mistakes, such as buying and selling at the wrong time out of panic or exuberance.



Market Timing Is a Flawed and Costly Strategy

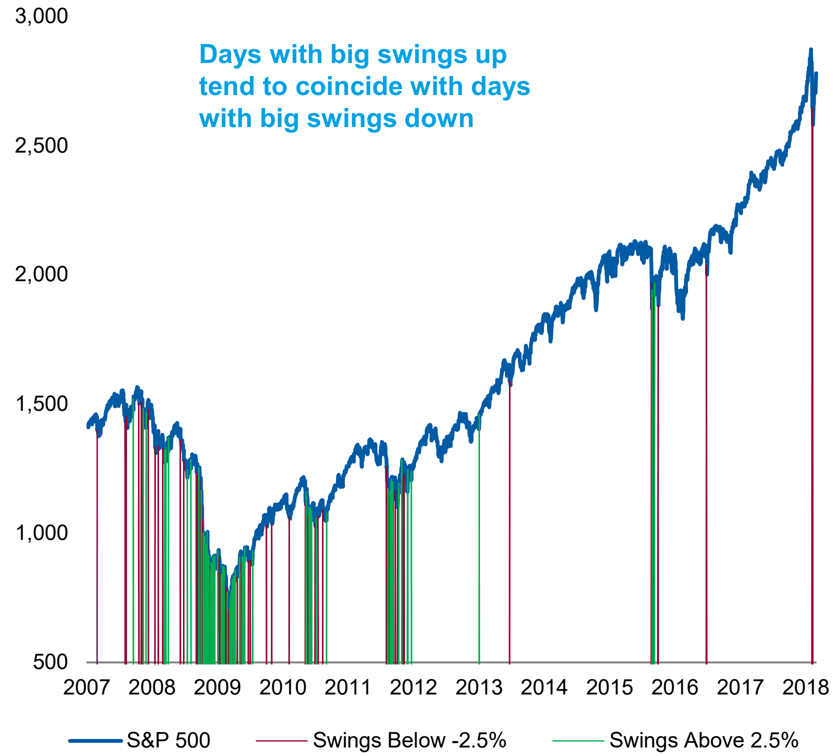
Annualized Total Returns of S&P 500 (1990 – 2017)

As of February 28, 2018



Days With Large Price Changes Tend to Cluster Together

As of February 28, 2018

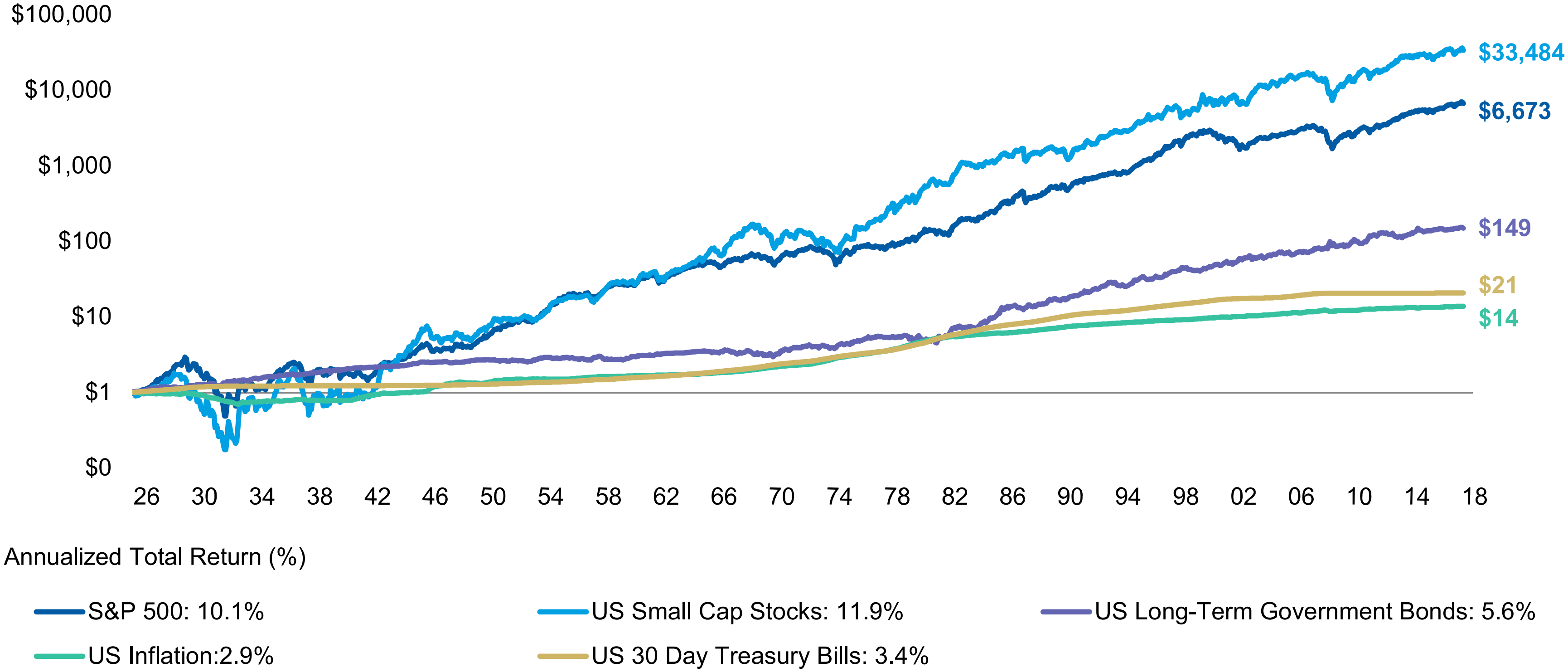


Source: FactSet, Morgan Stanley Wealth Management GIC
1. Best days are defined as the days with the highest single-day returns in the S&P 500,Bloomberg

Successful Investing Involves Patience and Fortitude

Cumulative Total Return of $1 January 31, 1926 – March 29, 2018

$ (Logarithmic Scale)



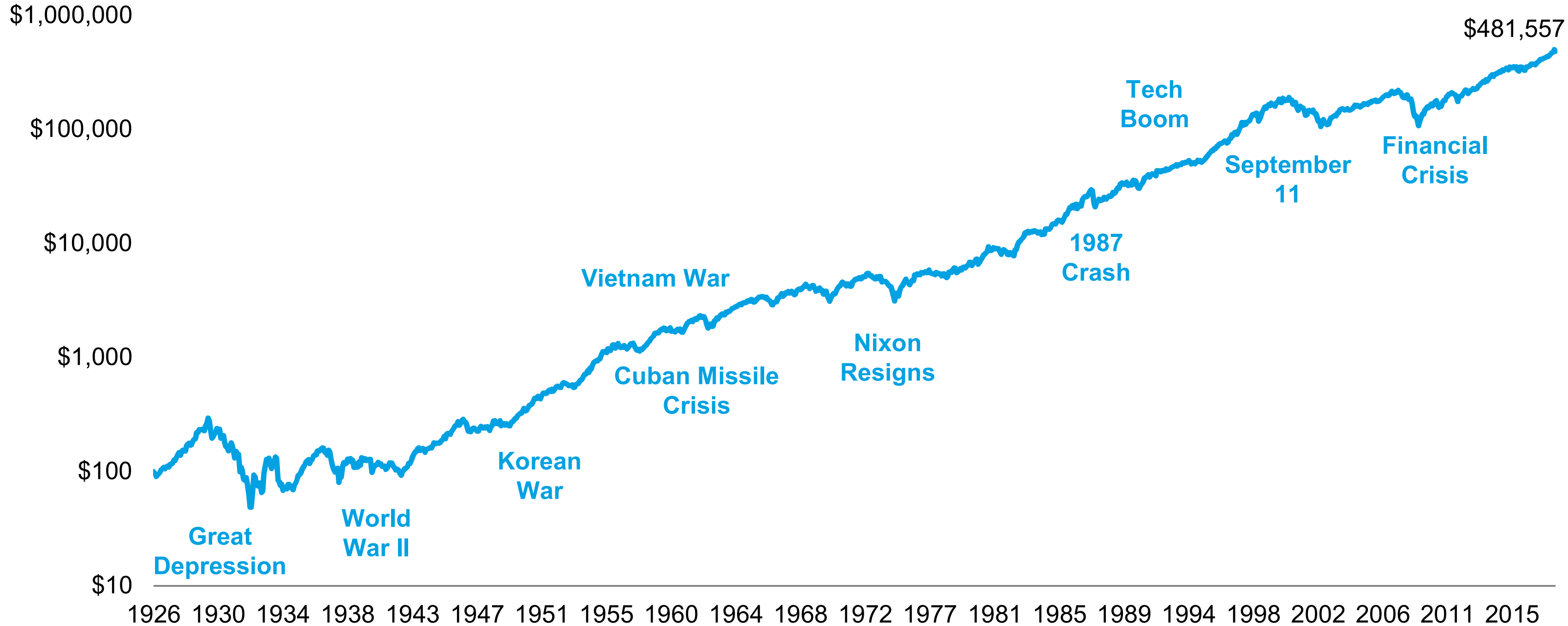
Source: Calculated by Morgan Stanley Wealth Management GIC using data provided by Morningstar. (c) 2017 Morningstar, Inc. All right reserved. Used with permission. This information contained herein: (i) is proprietary to Morningstar and / or its content providers; (ii) may not be copied or distributed; and (iii) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Aside From the S&P 500, all indices shown above are Ibbotson indices. The hypothetical $1 investment is for illustrative purposes only. It does not represent the performance of any specific investment. For more information about the risks hypothetical performance please refer to the Risk Considerations section at the end of this material

S&P 500 Has Grown Long Term Despite Negative Events

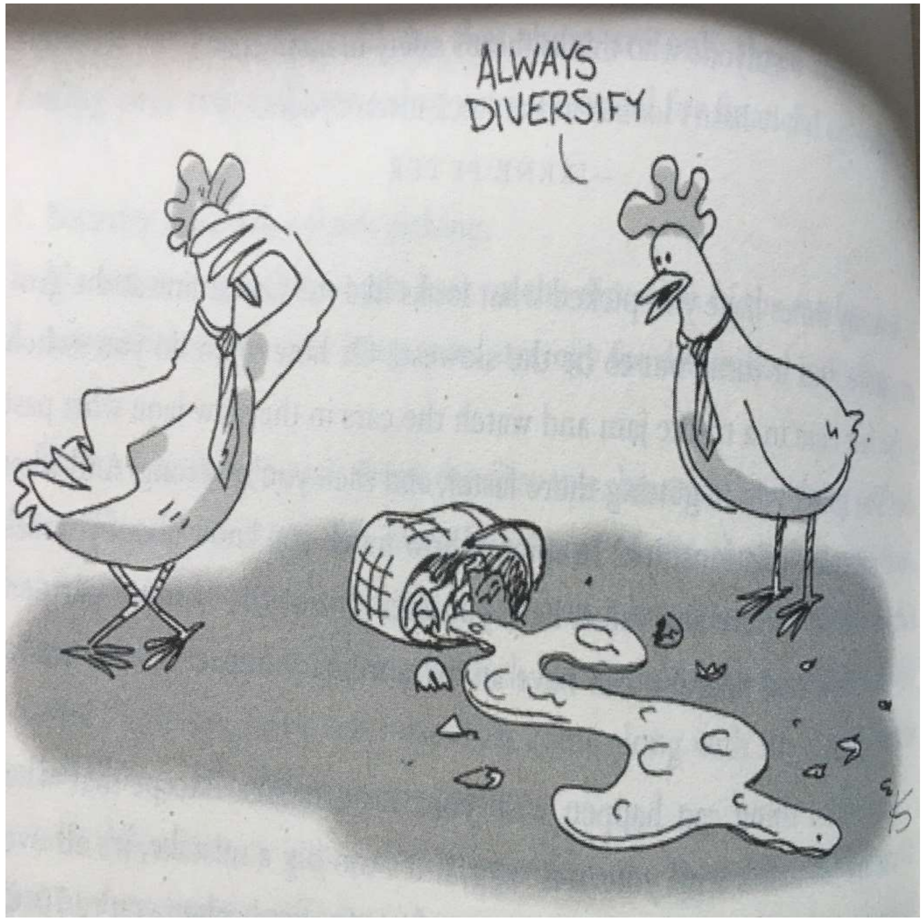
S&P 500: Growth of $100

January 1926 – February 2018

Log Scale



Source: FactSet, Ibbotson, Calculated by Morgan Stanley Wealth Management GIC using data provided by Morningstar.


ALWAYS DIVERSIFY

“Never test the depth of the river with both feet.” Warren Buffett

The three most important rules when buying real estate:

Location, Location, Location!

The three most important factors when building your investment portfolio:

Diversify, Diversify, Diversify!

Asset Allocation is dividing up your money among different classes or types of investments (such as equities, fixed income, alternatives, and cash) and in specific proportions that you decide in advance, according to your goals or needs, risk tolerance, and stage of life.

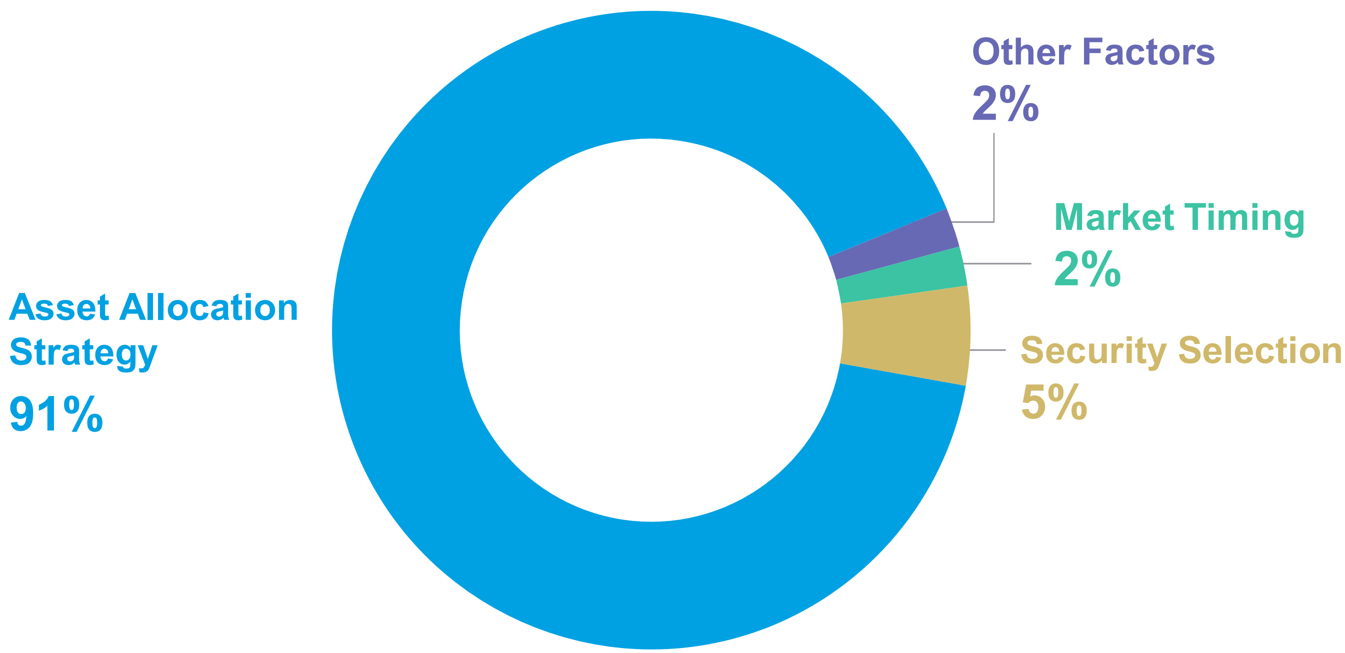
Morgan Stanley

SECTION 3

Asset Allocation, Diversification & Rebalancing

Asset Allocation – The Most Important Determinant of Risk Exposures and Investment Outcomes

Sources of Return Variation



Asset Allocation and diversification do not assure a profit or protect against loss in declining financial markets.
Source: Roger G. Ibbotson. *Does Asset Allocation Policy Explain 10, 90 or 100 Percent of Performance*? Financial Analyst Journal, January / February 2000; Brinson, Singer and Beebower. *Determination of Performance II: An Update*, Financial Analyst Journal, May / June 1991. Based on US pension-fund data from 1977 to 1987

Establishing an Effective Asset Allocation

Various asset classes tend to have different risk and return characteristics

Typically, the higher the potential risk, the higher the potential return for an asset class, and the lower the risk, the lower the potential return

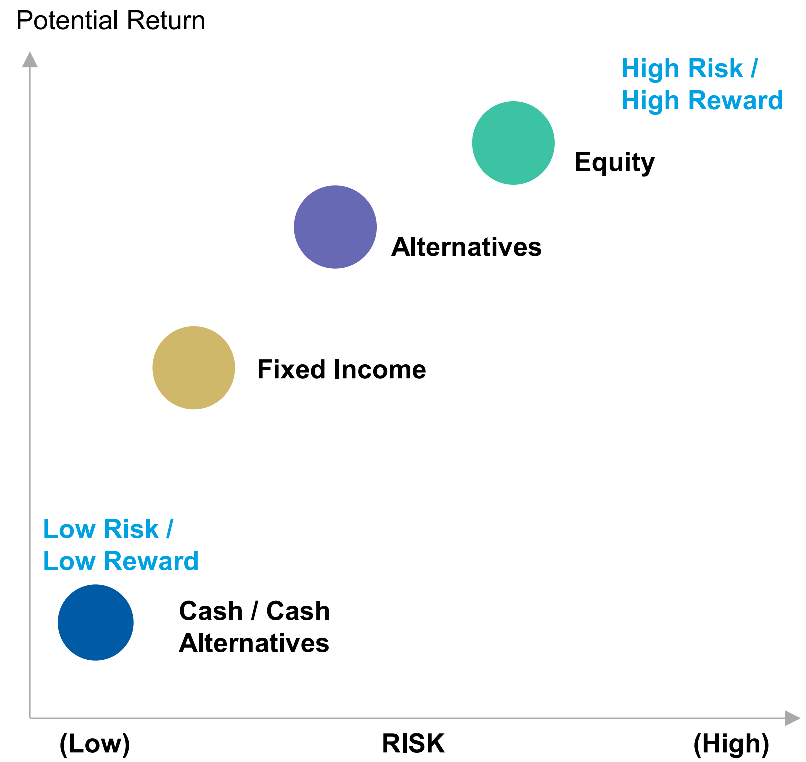
20-Year Annualized Risk and Return

As of December 29, 2017

ASSET CLASS	ANNUALIZED RETURN	ANNUALIZED VOLATILITY
Cash	2.0%	0.6%
Fixed Income	5.0%	3.4%
Alternatives	6.5%	6.9%
Equity	7.2%	14.9%

Annualized Risk and Return of Asset Classes

Example for Illustrative Purposes Only



Source: FactSet, Bloomberg, Morgan Stanley Wealth Management GIC. Cash is represented by 90-Day T-bills: Citigroup 3M T-Bill Index; Equity by U.S. Large Cap Equities: S&P 500 Index; Fixed Income by U.S. Investment Grade Bonds: Barclays U.S. Aggregate Index; Alternatives by HFRI Fund Weighted Composite Index

Establishing an Effective Asset Allocation

Calculate your required rate of return.

Construct a *diversified* portfolio that gives you a probability of hitting your required rate of return (based on historical averages).

Establishing an Effective Asset Allocation

Diversify Size & Style (Stock Mutual Funds/ETFs)

Small/Mid Cap
Large Cap Value
Large Cap Growth
Large Cap Core
Global
International
REITS/Convertibles/High Yield

7 Rules for Investing in Stocks

1. Don't buy all at once
   - Recognize that the price can go down
   - Stagger your buys

7 Rules for Investing in Stocks

2. Pigs get fat, hogs get slaughtered

- It’s ok to take a profit
- It’s ok to pay tax on the profit
- Don’t be greedy

7 Rules for Investing in Stocks

3. Buy best-in-class companies.

- Identify the top companies in the industry
- Many times the cheapest stocks are cheap for a reason

7 Rules for Investing in Stocks.

4. Expect and don't fear corrections

- Stock markets go up and down
- Over long-term stock markets out perform bonds and most investable assets

7 Rules for Investing in Stocks.

5. Know your stock

- Be able to explain what the company does
- Be able to understand the industry
- Be able to explain why your are investing in this company
- Do your homework and research the company

7 Rules for Investing in Stocks

6. Don’t own too many individual stocks

- Better to have a few positions that you know well
- Unless you are an expert, hard to follow more than 5 to 10 companies at once
- Anything more than that, your investment starts to look like a mutual fund

7 Rules for Investing in Stocks.

7. Free lunch part 2

- Diversify into different industries
- Buy, hold, and homework

Establishing an Effective Asset Allocation

Investing in Bonds

Watch the maturities

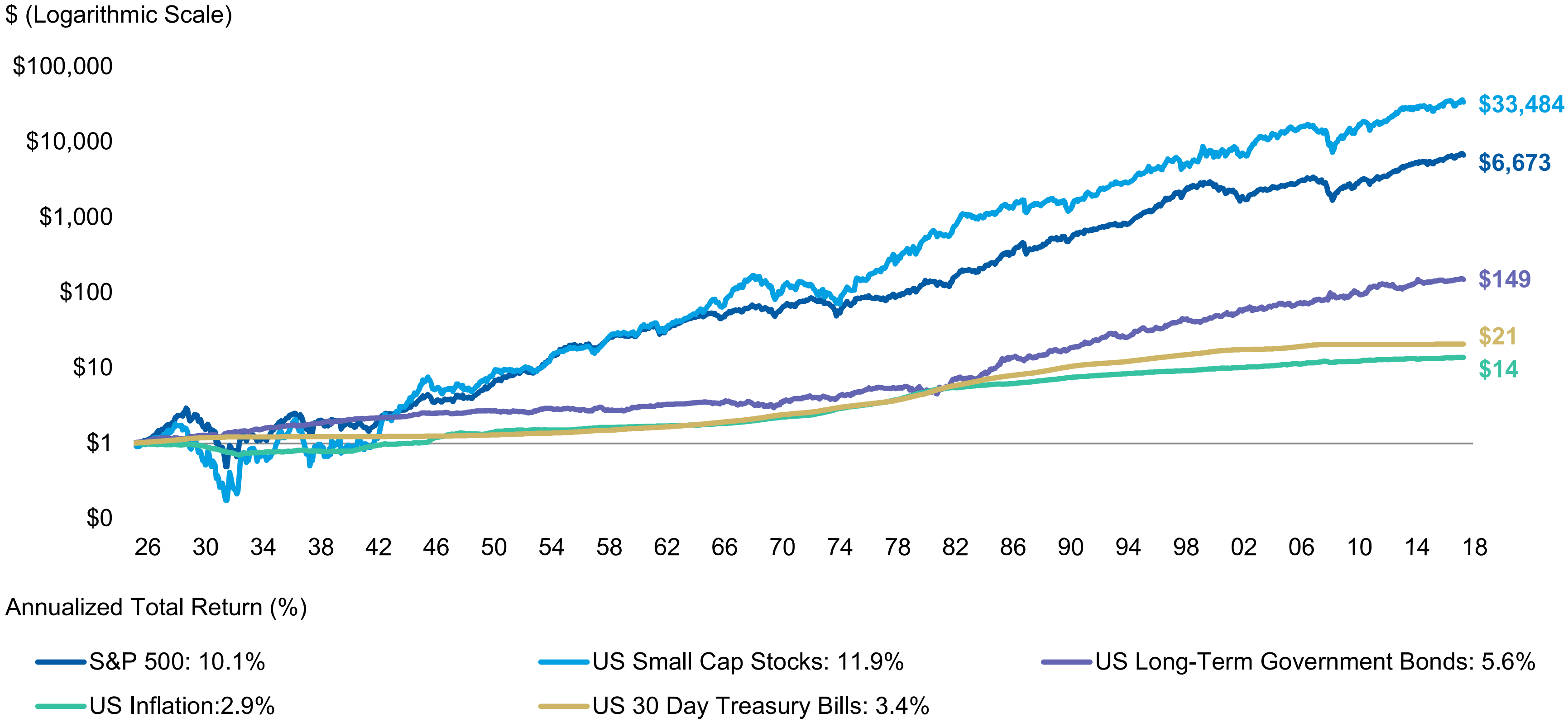
Watch the quality

Watch the leverage

The problem with bond funds

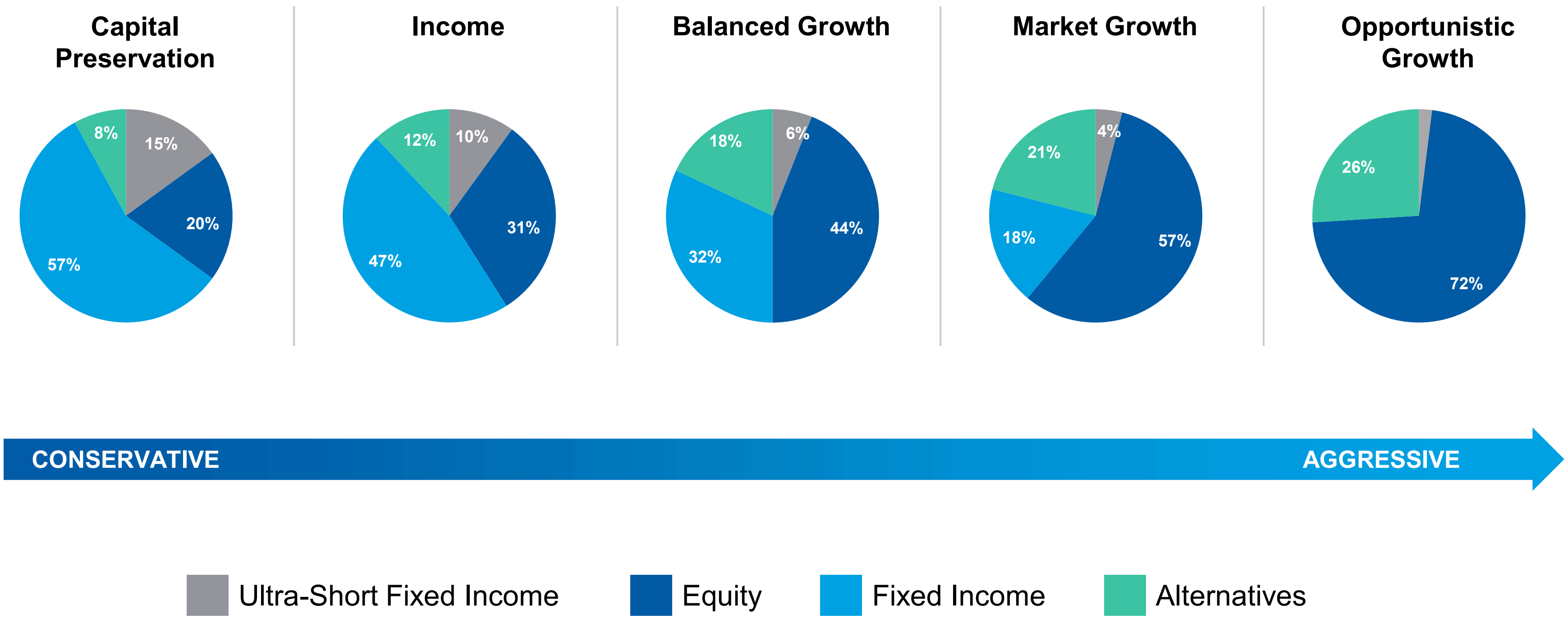
Successful Investing Involves Patience and Fortitude

Cumulative Total Return of $1 January 31, 1926 – March 29, 2018



Source: Calculated by Morgan Stanley Wealth Management GIC using data provided by Morningstar. (c) 2017 Morningstar, Inc. All right reserved. Used with permission. This information contained herein: (i) is proprietary to Morningstar and / or its content providers; (ii) may not be copied or distributed; and (iii) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Aside From the S&P 500, all indices shown above are Ibbotson indices. The hypothetical $1 investment is for illustrative purposes only. It does not represent the performance of any specific investment. For more information about the risks hypothetical performance please refer to the Risk Considerations section at the end of this material

Allocate Assets Based on Your Goals

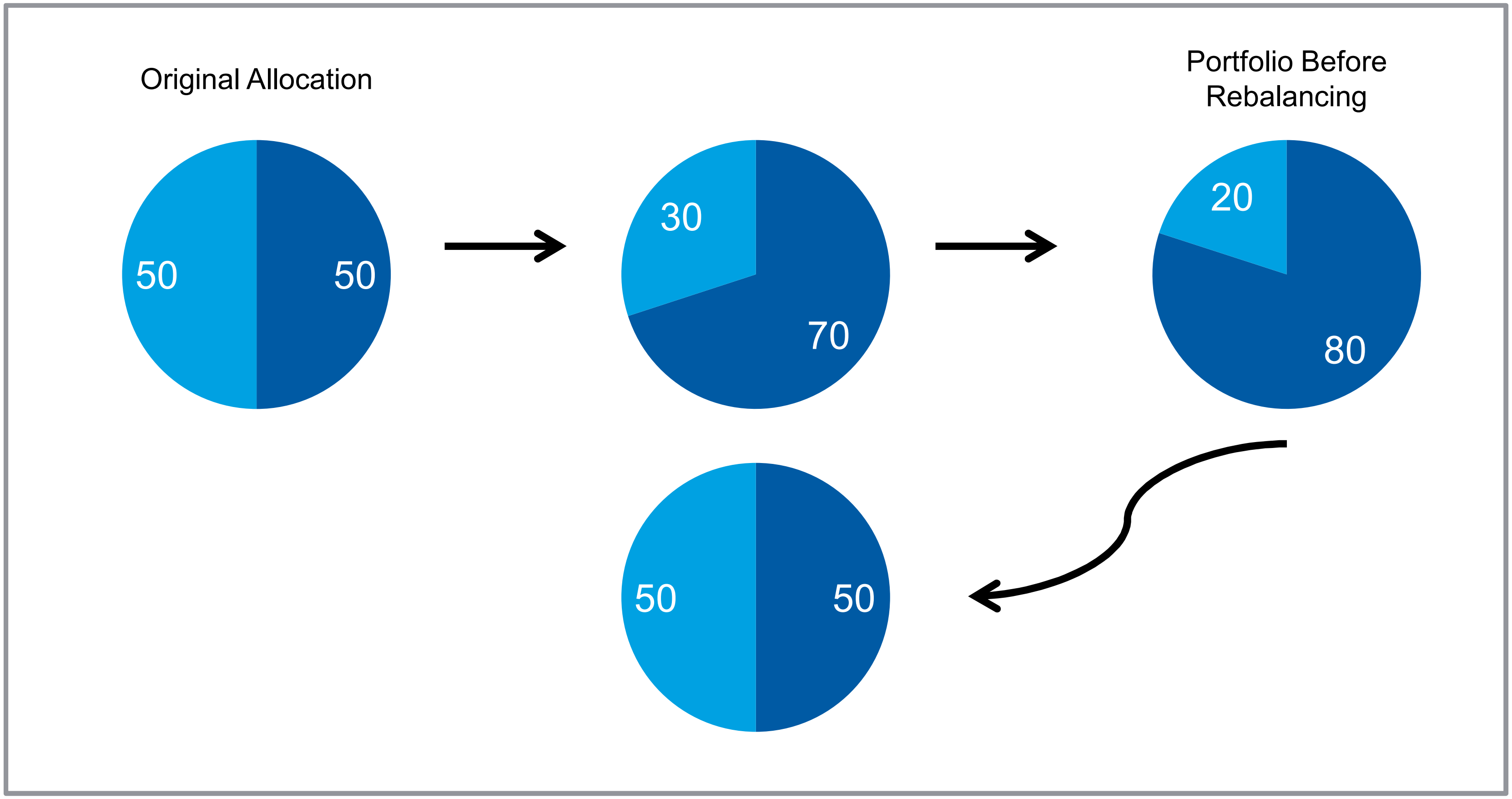


Source: Morgan Stanley Wealth Management GIC

Rebalancing Portfolios

Rebalancing typically involves the periodic buying and or selling of assets in portfolios to maintain an original desired level of asset allocation

Hypothetical Illustration of the Rebalancing Process



Benefits of Rebalancing – Set a Schedule

Rebalance at least annually

When the portfolio is materially out of balance (5%)

When you have made a major addition or distribution

Benefits of Rebalancing

Asset classes grow at different rates.

Encourages a discipline to trim the “Up” part of the portfolio and add to the “Down” part of the portfolio. (Investors chase returns).

Helps lower volatility and increase returns vs. portfolios that are not rebalanced.

Morgan Stanley

SECTION 3

Bringing it All Together

Morgan Stanley

Case Study – 401(k) Menu

Common 401K Plan Holdings By Class

Cash
- *Stable Value*
- *Money Market*
- *Retirement Savings Trust*
- *Fidelity MIP Fund*
- *G-Fund*
- *Short Term Bond*

Fixed Income
- *Pimco Total Return*
- *Pimco Real Return*
- *Pimco Investment Grade Bond*
- *Vanguard Intermediate Bond*
- *Vanguard Total Bond Market*
- *Babson Bond Fund*
- *Lord Abbett Income*
- *Fidelity Corporate Bond*
- *Western Asset Mortgage Backed Bond*
- *Blackrock Total Return*
- *Blackrock Intermediate Bond*
- *American Funds Bond Fund Of America*
- *Dodge & Cox Income Fund*
- *Doubleline Total Return*
- *F-Fund*

International
- *American Funds Capital World G&I*
- *Vanguard Total International Index*
- *Blackrock Global Allocation Fund*
- *Fidelity International Growth Fund*
- *Dodge & Cox International*
- *Invesco International Core Equity*
- *Goldman Sachs International Growth Opp.*

The above represents a selection of some of the most common funds found in 401k plans. ***If you do not see your SPECIFIC fund listed simply choose one that closely resembles the examples herein.*** All funds perform relatively similarly within their respective fund classes.

Equity

Large Cap
- *Vanguard Total Stock Market*
- *Vanguard S&P 500 Index*
- *Vanguard Capital Opportunities*
- *Vanguard PrimeCap*
- *Vanguard Growth Index*
- *Fidelity Magellan*
- *Fidelity Large Cap Growth*
- *Fidelity Blue Chip*
- *Fidelity Capital Appreciation*
- *Dodge & Cox Stock*
- *Hartford Capital Appreciation*
- *American Funds AMCAP*
- *American Funds Growth Fund Of America*
- *Oakmark Growth Fund*
- *C-Fund (Common Assets)*
- *ALL TARGET DATE FUNDS 2020 or Later*

Balanced Funds
- *Vanguard Balanced Index*
- *Vanguard Wellington Fund*
- *Vanguard Windsor Fund*
- *Vanguard Asset Allocation*
- *Fidelity Balanced Fund*
- *Fidelity Equity Income*
- *Fidelity Growth & Income*
- *American Funds Balanced*
- *American Funds Income Fund*
- *ALL TARGET DATE FUNDS 2020 or Sooner*

Small/Mid Cap
- *Vanguard Mid Cap Growth*
- *Fidelity Mid Cap Growth*
- *Artisan Mid Cap*
- *Goldman Sachs Growth Opportunities*
- *Harbor Mid Cap Growth*
- *Goldman Sachs Small/Mid Cap Opp.*
- *Fidelity Low Price Stock Fund*
- *Columbia Acorn US*
- *Federated Kaufman Small Cap*
- *Invesco Small Cap*

Key Takeaways

- Different asset classes serve different purposes in your portfolio.
- Time is money: investing early allows you to take advantage of compound interest.
- Successful investing requires patience and fortitude.
- Asset allocation is the most important determinant of risk exposures and
  investment outcomes.
- Rebalancing helps to reduce risk and increase returns.

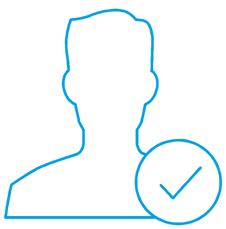
Resources:

- Jorge R. Fernandez, Stewardship Pastor (jorgef@cachurch.com)
- Craig M. Cox, CFP (Craig.Cox@MorganStanley.com)
- Allen Van Deventer, (allenvand@aol.com)

The Cox Huffman VolpeiTeam at Morgan Stanley

OUR FINANCIAL ADVISORS CAN PROVIDE:

- Answers to your questions about investing
- Access to the global resources of Morgan Stanley
- Financial solutions that address your specific needs and goals



Craig Cox

First Vice President, Wealth Advisor

626-584-3436

craig.cox@morganstanley.com

Tax laws are complex and subject to change. Morgan Stanley Smith Barney LLC (“Morgan Stanley”), its affiliates and Morgan Stanley Financial Advisors and Private Wealth Advisors do not provide tax or legal advice and are not “fiduciaries” (under ERISA, the Internal Revenue Code or otherwise) with respect to the services or activities described herein except as otherwise provided in writing by Morgan Stanley. Individuals are encouraged to consult their tax and legal advisors (a) before establishing a retirement plan or account, and (b) regarding any potential tax, ERISA and related consequences of any investments made under such plan or account.

Morgan Stanley Wealth Management is the trade name of Morgan Stanley Smith Barney LLC, a registered broker-dealer in the United States.

The sole purpose of this material is to inform, and it in no way is intended to be an offer or solicitation to purchase or sell any security, other investment or service, or to attract any funds or deposits. Investments mentioned may not be suitable for all clients. Any product discussed herein may be purchased only after a client has carefully reviewed the offering memorandum and executed the subscription documents. Morgan Stanley Wealth Management has not considered the actual or desired investment objectives, goals, strategies, guidelines, or factual circumstances of any investor in any fund(s). Before making any investment, each investor should carefully consider the risks associated with the investment, as discussed in the applicable offering memorandum, and make a determination based upon their own particular circumstances, that the investment is consistent with their investment objectives and risk tolerance. 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.

Morgan Stanley's investment advisory programs may require a minimum asset level and, depending on your specific investment objectives and financial position, may not be suitable for you. Please see the Morgan Stanley Smith Barney LLC program disclosure brochure (the "Morgan Stanley ADV") for more information in the investment advisory programs available. The Morgan Stanley ADV is available at www.morganstanley.com/ADV. **Sources of Data.** Information in this material in this report has been obtained from sources that we believe to be reliable, but we do not guarantee its accuracy, completeness or timeliness. Third-party data providers make no warranties or representations relating to the accuracy, completeness or timeliness of the data they provide and are not liable for any damages relating to this data. All opinions included in this material constitute the Firm's judgment as of the date of this material and are subject to change without notice. This material was not prepared by the research departments of Morgan Stanley & Co. LLC or Morgan Stanley Smith Barney LLC. Some historical figures may be revised due to newly identified programs, firm restatements, etc.

Consider Your Own Investment Needs: The model portfolios and strategies discussed in the material are formulated based on general client characteristics including risk tolerance. This material is not intended to be a client-specific suitability analysis or recommendation, or offer to participate in any investment. Therefore, clients should not use this profile as the sole basis for investment decisions. They 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 results that are materially different from the asset allocation shown in this profile. Talk to your Financial Advisor about what would be a suitable asset allocation for you, whether CGCM is a suitable program for you.

No obligation to notify – Morgan Stanley Wealth Management has no obligation to notify you when the model portfolios, strategies, or any other information, in this material changes.

Please consider the investment objectives, risks, fees, and charges and expenses of mutual funds, ETFs, closed end funds, unit investment trusts, and variable insurance products carefully before investing. The prospectus contains this and other information about each fund. To obtain a prospectus, contact your Financial Advisor or Private Wealth Advisor or visit the Morgan Stanley website at www.morganstanley.com**. Please read it carefully before investing.**

An investment in a money market fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the Fund seeks to preserve the value of your investment at $1.00 per share, it is possible to lose money by investing in the fund.

The type of mutual funds and ETFs discussed in this presentation utilizes nontraditional or complex investment strategies and/or derivatives. Examples of these types of funds include those that utilize one or more of the below noted investment strategies or categories or which seek exposure to the following markets: (1) commodities (e.g., agricultural, energy and metals), currency, precious metals; (2) managed futures; (3) leveraged, inverse or inverse leveraged; (4) bear market, hedging, long-short equity, market neutral; (5) real estate; (6) volatility (seeking exposure to the CBOE VIX Index). Investors should keep in mind that while mutual funds and ETFs may, at times, utilize nontraditional investment options and strategies, they should not be equated with unregistered privately offered alternative investments. Because of regulatory limitations, mutual funds and ETFs that seek alternative-like investment exposure must utilize a more limited investment universe. As a result, investment returns and portfolio characteristics of alternative mutual funds and ETFs may vary from traditional hedge funds pursuing similar investment objectives. Moreover, traditional hedge funds have limited liquidity with long "lock-up" periods allowing them to pursue investment strategies without having to factor in the need to meet client redemptions and ETFs trade on an exchange. On the other hand, mutual funds typically must meet daily client redemptions. This differing liquidity profile can have a material impact on the investment returns generated by a mutual or ETF pursuing an alternative investing strategy compared with a traditional hedge fund pursuing the same strategy.

Nontraditional investment options and strategies are often employed by a portfolio manager to further a fund's investment objective and to help offset market risks. However, these features may be complex, making it more difficult to understand the fund's essential characteristics and risks, and how it will perform in different market environments and over various periods of time. They may also expose the fund to increased volatility and unanticipated risks particularly when used in complex combinations and/or accompanied by the use of borrowing or "leverage."

KEY ASSET CLASS CONSIDERATIONS AND OTHER RISKS

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. 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**. **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. 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** are subject to additional risks such as increased risk of default and greater volatility because of the lower credit quality of the issues. In the case of **municipal bonds**, income is generally exempt from federal income taxes. 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)** 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. There is no guarantee that investors will receive par if TIPS are sold prior to maturity. The returns on a portfolio consisting primarily of **environmental, social, and governance-aware investments (“ESG”)** may be lower or higher than a portfolio that is more diversified or where decisions are based solely on investment considerations. Because ESG criteria exclude some investments, investors may not be able to take advantage of the same opportunities or market trends as investors that do not use such criteria. The companies identified and investment examples are for illustrative purposes only and should not be deemed a recommendation to purchase, hold or sell any securities or investment products. They are intended to demonstrate the approaches taken by managers who focus on ESG criteria in their investment strategy. There can be no guarantee that a client's account will be managed as described herein. **Options** and margin trading involve substantial risk and are not suitable for all investors. 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. Closed-end funds, unlike open-end funds, are not continuously offered. There is a one-time public offering and once issued, shares of closed-end funds are sold in the open market through a stock exchange. NAV is total assets less total liabilities divided by the number of shares outstanding. At the time an investor purchases shares of a closed-end fund, shares may have a market price that is above or below NAV. 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.

Alternative investments often are speculative and include a high degree of risk. Investors could lose all or a substantial amount of their investment. Alternative investments are suitable only for eligible, long-term investors who are willing to forgo liquidity and put capital at risk for an indefinite period of time. They may be highly illiquid and can engage in leverage and other speculative practices that may increase the volatility and risk of loss. Alternative Investments typically have higher fees than traditional investments. Investors should carefully review and consider potential risks before investing. Certain of these risks may include but are not limited to: Loss of all or a substantial portion of the investment due to leveraging, short-selling, or other speculative practices; Lack of liquidity in that there may be no secondary market for a fund; 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 mutual funds; and Risks associated with the operations, personnel, and processes of the manager.

Tax laws are complex and subject to change. Morgan Stanley Smith Barney LLC (“Morgan Stanley”), its affiliates and Morgan Stanley Financial Advisors and Private Wealth Advisors do not provide tax or legal advice and are not “fiduciaries” (under ERISA, the Internal Revenue Code or otherwise) with respect to the services or activities described herein except as otherwise provided in writing by Morgan Stanley and/or as described at www.morganstanley.com/disclosures/dol. Individuals are encouraged to consult their tax and legal advisors (a) before establishing a retirement plan or account, and (b) regarding any potential tax, ERISA and related consequences of any investments made under such plan or account.

Insurance products are offered in conjunction with Morgan Stanley Smith Barney LLC’s licensed insurance agency affiliates.

Indices are unmanaged. An investor cannot invest directly in an index. They are shown for illustration purposes only and do not show the performance of any specific investment. Reference to an index does not imply that the portfolio will achieve return, volatility or other results similar to the index. The composition of an index may not reflect the manner in which a portfolio is constructed in relation to expected or achieved returns, portfolio guidelines, restrictions, sectors, correlations, concentrations, volatility, or tracking error target, all of which are subject to change over time.

This material is not a financial plan and does not create an investment advisory relationship between you and your Morgan Stanley Financial Advisor. We are not your fiduciary either under the Employee Retirement Income Security Act of 1974 (ERISA) or the Internal Revenue Code of 1986, and any information in this report is not intended to form the primary basis for any investment decision by you, or an investment advice or recommendation for either ERISA or Internal Revenue Code purposes. Morgan Stanley Private Wealth Management will only prepare a financial plan at your specific request using Private Wealth Management approved financial planning signature.

We may act in the capacity of a broker or that of an advisor. As your broker, we are not your fiduciary and our interests may not always be identical to yours. Please consult with your Private Wealth Advisor to discuss our obligations to disclose to you any conflicts we may from time to time have and our duty to act in your best interest. We may be paid both by you and by others who compensate us based on what you buy. Our compensation, including that of your Private Wealth Advisor, may vary by product and over time.

Investment and services offered through Morgan Stanley Private Wealth Management, a division of Morgan Stanley Smith Barney LLC, Member SIPC.

Investment, insurance and annuity products offered through Morgan Stanley Smith Barney LLC are: NOT FDIC INSURED | MAY LOSE VALUE | NOT BANK GUARANTEED | NOT A BANK DEPOSIT | NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY

For index, indicator and survey definitions referenced in this report please visit the following: http://www.morganstanleyfa.com/public/projectfiles/id.pdf

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. **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. The majority of $25 and $1000 par **preferred securities** are “callable” meaning that the issuer may retire the securities at specific prices and dates prior to maturity. Interest/dividend payments on certain preferred issues may be deferred by the issuer for periods of up to 5 to 10 years, depending on the particular issue. The investor would still have income tax liability even though payments would not have been received. Price quoted is per $25 or $1,000 share, unless otherwise specified. Current yield is calculated by multiplying the coupon by par value divided by the market price. 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. The market value of **convertible bonds** and the underlying common stock(s) will fluctuate and after purchase may be worth more or less than original cost. If sold prior to maturity, investors may receive more or less than their original purchase price or maturity value, depending on market conditions. Callable bonds may be redeemed by the issuer prior to maturity. Additional call features may exist that could affect yield. Some $25 or $1000 **par preferred securities** are QDI (Qualified Dividend Income) eligible. Information on QDI eligibility is obtained from third party sources. The dividend income on QDI eligible preferreds qualifies for a reduced tax rate. Many traditional ‘dividend paying’ perpetual preferred securities (traditional preferreds with no maturity date) are QDI eligible. In order to qualify for the preferential tax treatment all qualifying preferred securities must be held by investors for a minimum period – 91 days during a 180 day window period, beginning 90 days before the ex-dividend date.

Companies paying **dividends** can reduce or cut payouts at any time.

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. 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 employ corrective strategies which would result in stock prices that do not rise as initially expected.

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.

This material is disseminated in the United States of America by Morgan Stanley Smith Barney LLC. Morgan Stanley Wealth Management is not acting as a municipal advisor to any municipal entity or obligated person within the meaning of Section 15B of the Securities Exchange Act (the "Municipal Advisor Rule") and the opinions or views contained herein are not intended to be, and do not constitute, advice within the meaning of the Municipal Advisor Rule. This material, or any portion thereof, may not be reprinted, sold or redistributed without the written consent of Morgan Stanley Smith Barney LLC.

.

CRC 1997476 03/2018