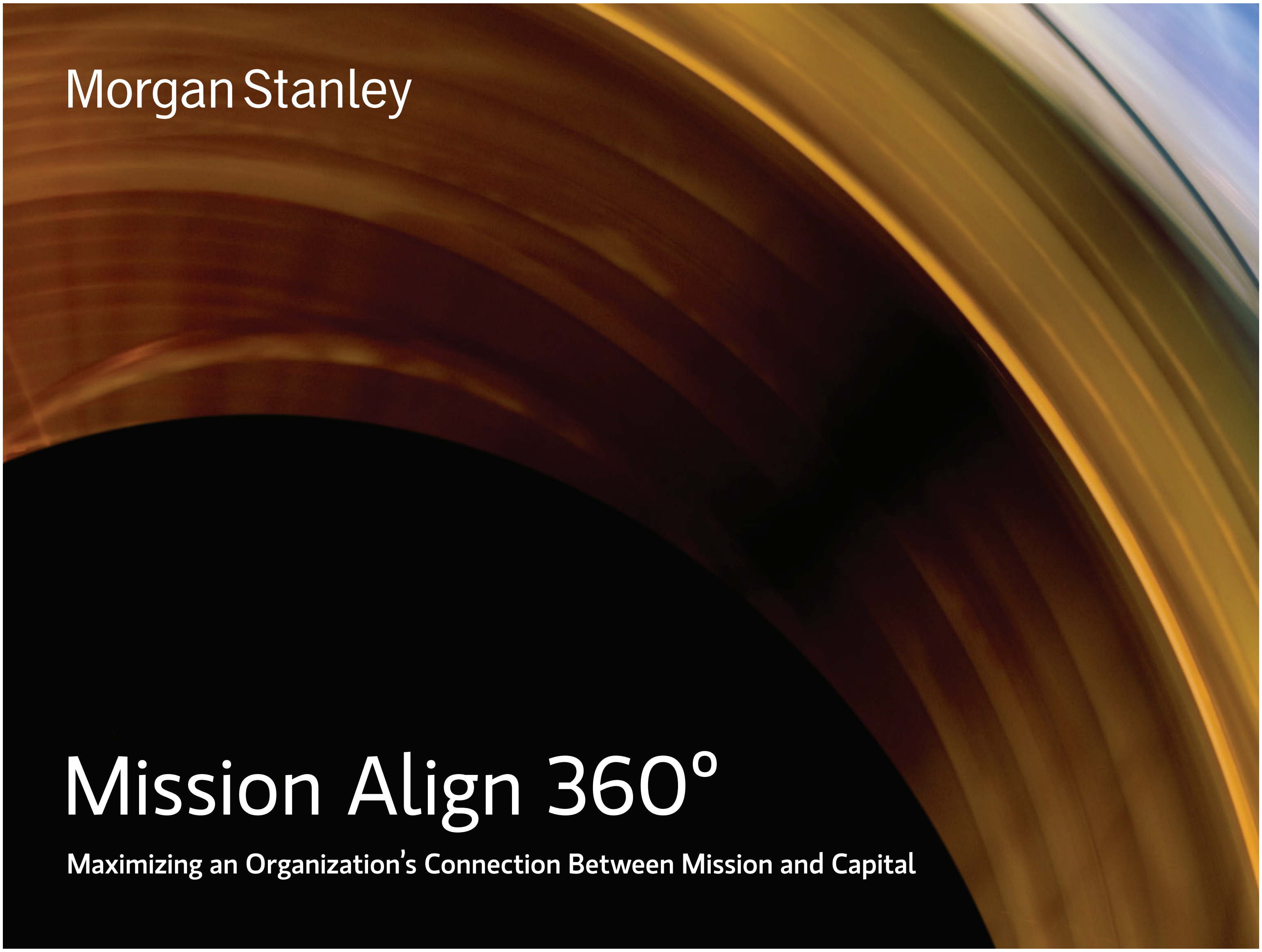


Morgan Stanley

Mission Align 360°

Maximizing an Organization's Connection Between Mission and Capital

Organizations are increasingly investing in opportunities that positively impact our global society, environment and economy. These efforts seek to help solve some of the biggest challenges of our times, and transform sustainable and impact investing and philanthropy as we know them. Mission Align 360° is the process for examining all capital including human, financial and philanthropic — for allocation toward a mission and creating positive impact.

TABLE OF CONTENTS

3 Mission Align 360° Defined

5 A Snapshot: 360° of an Organization

6 Mission Align 360° Approaches Across all Capital

9 Mission Align 360° Implementation Roadmap

16 Conclusion

16 Glossary

Today, in addition to the more than 1,240,000 tax-exempt public charities in the United States, there are over 120,000 private foundations and over 363,000 other types of nonprofit organizations such as chambers of commerce, fraternal organizations and civic leagues.[1] Private foundations are required to distribute at least 5% of their investable assets through grants, program-related investments and qualifying expenses annually. If this amounts to nearly $75.7 billion in giving.[2]

Other nonprofit organizations, such as universities with endowment programs, enter into binding agreements with donors that generally have a payout range of between 3% to 5%. The endowed assets are then used to generate sufficient return to meet the financial needs of the organization. When you combine philanthropic capital with financial or invested capital, these exempt organizations have a combined $3.79 trillion in total assets,[3] with approximately $1.01 trillion of that amount constituting private foundation assets.[4] This vast ocean of capital—when aligned with the organization's mission- offers an opportunity to generate even greater positive impact. As an increasing number of institutions deploy sustainable and impact investing to meet today's global challenges such as poverty alleviation, access to education, healthcare and climate change mitigation, certain organizations are uniquely positioned to take the lead. For example, foundations have been engaging in mission-related investing since long before the term "impact investing" was coined in 2007. Foundations also have a deep understanding of, and fundamental commitment to, creating and measuring impact. Finally, foundations can often provide more flexible, risk-tolerant and patient capital than other types of investors.[5]

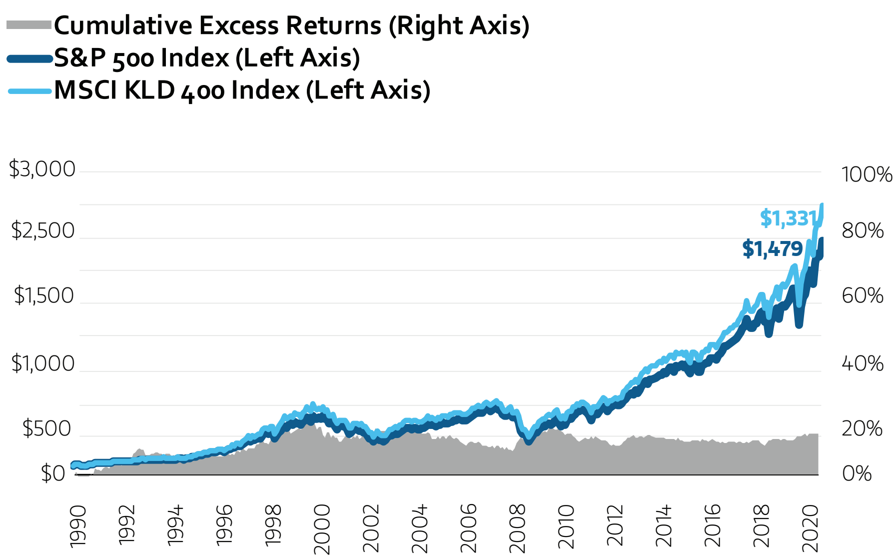
At Morgan Stanley, we understand that organizations of all types have the capacity—and increasingly the desire—to do more. Few have been leveraging the full spectrum of their human, financial and philanthropic capital to meet their long-term financial objectives and create mission alignment; or Mission Align 360˚. For example, a growing body of evidence demonstrates that sustainable and impact investments do not pose a significant risk to returns nor have they generated below-market-rate returns. To the contrary, impact investments can align with the fiduciary responsibility of foundation trustees (see Exhibit 1).

This is a critical point, given that foundation trustees have historically perceived sustainable and impact investments to be incompatible with their fiduciary duty. In addition, organizations can seek to maximize the deployment of all capital toward mission, through innovative methods of harnessing communities, expertise and people to exponentially increase the impact of each dollar they invest.

Morgan Stanley is a trusted advisor to organizations transitioning to Mission Align 360˚. We offer unique capabilities and experiences that makes it easy for organizations that are seeking to align resources and capital with mission and generate positive impact.

EXHIBIT 1. April 30, 1990 - March 31, 2021

(Cumulative Return (%))



Past performance is not necessarily indicative of future results.

Source: Bloomberg, MSCI.

Did You Know?

Morgan Stanley's Investing with Impact Platform has over $60 billion in assets across 160+ Investing with Impact ETFs, mutual funds, separately managed accounts and alternative investments for qualified investors. Opportunities available across a range of mission and impact objectives, plus overlay restriction screening capabilities to accommodate further customization.

Mission Align 360° Defined

Morgan Stanley defines Mission Align 360° as the process of examining capital from every vantage point — a 360 degree view. That examination includes human, financial and philanthropic capital and how such capital is allocated in order to accomplish mission alignment and positive impact, while seeking to achieve financial objectives.

Ideally, Mission Align 360° represents all capital pools fully aligned to an organization's mission. The reality is that sourcing precise mission-tailored financial investments and philanthropic opportunities can be challenging. Therefore, in practice, Mission Align 360° does not always mean that 100% of assets are aligned, but it does mean that all pools of capital are being thoughtfully and diligently considered for furthering the mission of the organization, as well as alignment with impact objectives. Creativity and flexibility are required to ensure that assets are activated to the extent possible to further goals and maximize impact.

Background and Context

For nearly 20 years, the field of philanthropy has been engaged in an important conversation about impact — both how to measure it and how to deliver it programmatically. More recently, the focus of the discussion has expanded beyond traditional grant-making and program-related investments to include the advancement of impact through the capital markets.

For many, grant-making and other mission-related work has remained separate from the stewardship of financial capital.

This creates an intrinsic tension as organizations and individuals spend most of their time thinking about achieving their social and/or environmental mission through grant-making while the majority of their capital is in financial investments that are invested with the goal of earning financial returns that sustain grant-making. Mission Align 360° enables organizations to deliberately leverage all their pools of capital — human, financial and philanthropic — as tools for social transformation to advance, and align with their missions.

The practice of using investment capital to create positive environmental and social impact is not new; it spans over a century of history, beginning with faith-based institutions and individuals who have considered the social and environmental impact of their investments since the 19th century.

In the 1970s, the first mutual funds that restricted exposure to certain objectionable industries were launched. The first of such funds avoided tobacco, alcohol, nuclear power and military defense contractors considered to have labor and employment issues.

Around this time, several organizations were founded to assist investors seeking to align capital with purpose. For example, a consortium of colleges, universities and foundations established the Investor Responsibility Research Center (IRRC) in 1972, while religious investors founded the Interfaith Center on Corporate Responsibility (ICCR) a year later and filed their first shareholder resolution. In 1984, a trade association for this approach to investing — US SIF, the Forum for Sustainable and Responsible Investing — was launched. Recently, numerous trends have shaped the evolution and growth of sustainable and impact investing within global financial markets, including the launch of the United Nations Principles for Responsible Investing (UN PRI) in 2006. In 2020, there were over 3,038 UN PRI signatories representing approximately $103.4 trillion in assets, including 521 asset owners, and 34 foundations and endowments. In 2015, the United Nations adopted 17 goals, called the UN Sustainable Development Goals, aimed at creating a more equitable, prosperous and sustainable planet. These goals seek to provide a common language for asset owners and managers to understand the macro sustainability challenges that require global resources to solve.

> "The urgency and size of the problems we face require that we work differently. Everything at our disposal is now a mission-critical resource. Organizations' financial tool kit should include every investment instrument, all asset classes, and all enterprise types..."
>
> **– TOM NIDES, FORMER MANAGING DIRECTOR, VICE CHAIRMAN, MORGAN STANLEY**

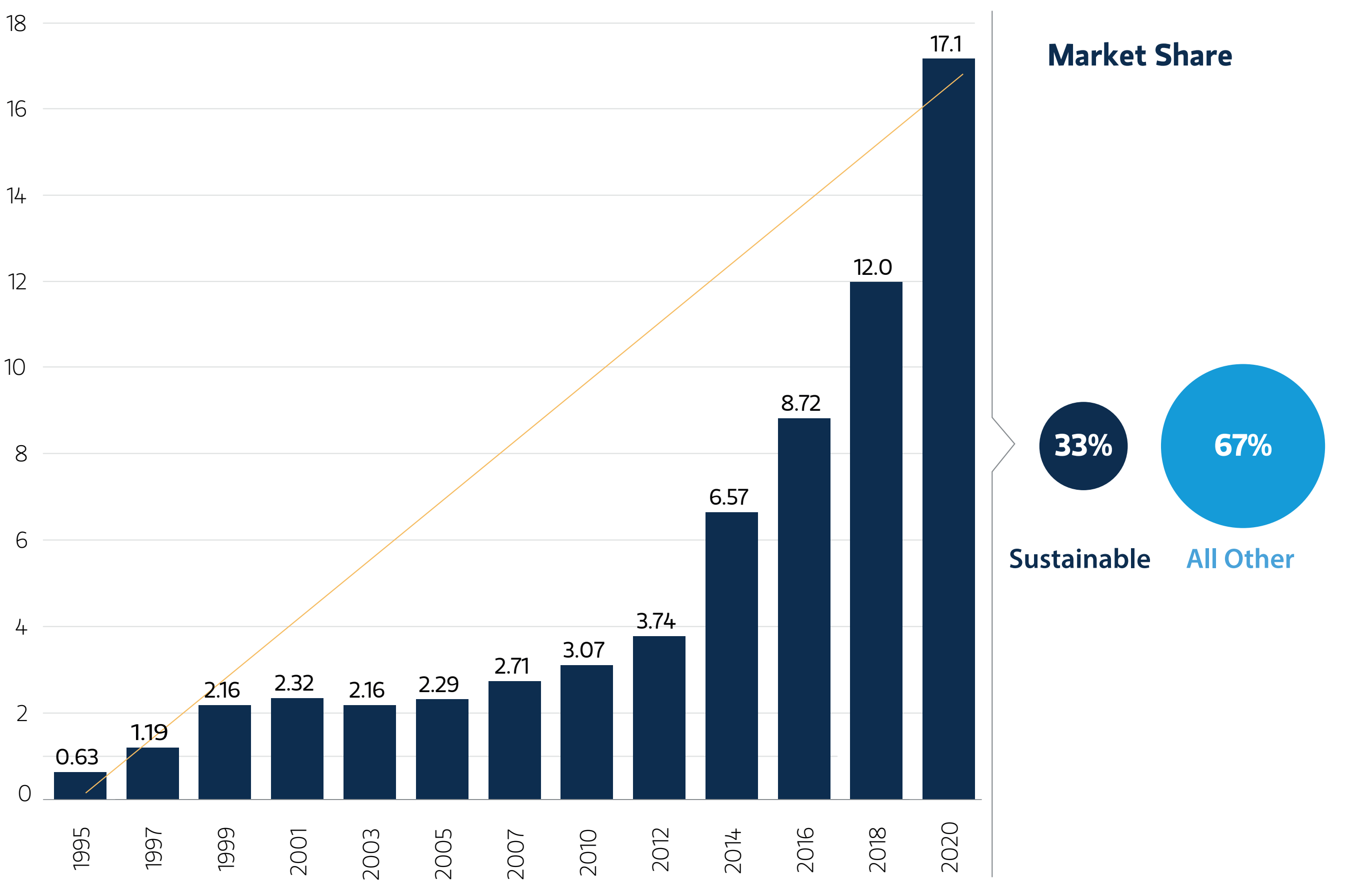
Further, the infrastructure continues to evolve to support this growing field. For example, the Global Reporting Initiative, the Sustainability Accounting Standards Board and the International Integrated Reporting Council are three initiatives that seek to promote and standardize corporate reporting of companies' societal and environmental impact and long-term investment potential. Third-party data providers such as Bloomberg, ISS Ethix, MSCI, Sustainalytics, and others are also contributing to this standardization.

From a policy perspective, in recent years, both the Department of Labor and Internal Revenue Service have issued guidance with the intention of clarifying the fiduciary responsibility of pension and foundation leadership. Specifically, the DOL has stated that private pension plans subject to the Employee Retirement Income Security Act of 1974 (ERISA) may consider environmental, social and governance factors as part of the investment selection process as long as it does not subvert any pecuniary rationales in product selection, and the IRS ruled that foundations can make investments related to mission and keep tax-exempt status so long as they also produce financial returns.

Furthermore, assets invested to achieve both financial and environmental or social performance have continued to show momentum given continued education, awareness and the availability of high quality investment products; over the last 25 years, the assets invested toward positive environmental and/or social impact have grown significantly in the United States (see Exhibit 2).

EXHIBIT 2. Sustainable, Responsible and Impact Investing in U.S. 1995-2020

($ Trillion)



Past performance is not necessarily indicative of future results.

Source: Report on the Sustainable and Responsible Investing Trends in the United States. U.S. SIF Foundation, 2020.

A Snapshot: 360° of an Organization

Nonprofit organizations, such as public and private foundations, exist to direct capital to solve social and environmental problems. The Mission Align 360° roadmap considers all available pools of capital for potential mission alignment:

Financial capital

Investments that generate positive social and/or environmental impact alongside financial returns. For mission-aligned organizations this can be achieved across asset classes and capital pools.

Philanthropic capital

A broad term which describes capital that has no, or low, expectation of financial return such as grant-making and program-related investments. Conducting a thoughtful, comprehensive evaluation of priorities and approach to grant-making strategies is an essential step to Mission Align 360°. An organization should evaluate existing grant commitments to ensure mission alignment in the context of its impact-driven grant-making guidelines.

Human capital

The collective skills, talents, knowledge or other intangible assets of individuals that create economic value for organizations and communities. Organizations that most effectively utilize their assets support emerging non-profit staff leaders, cultivate and retain strong board members, and leverage their people to define their culture and values. Periodic review of the board of directors, CEO and staff is essential to Mission Align 360°.

EXHIBIT 3. Charitable Organizational Capital Available for Mission Align 360°

Mission Align 360° Approaches Across All Capital

MissionAlign 360° comprises a full spectrum of approaches ranging from minimizing mission misalignment to increasing direct impact through a range of financial and philanthropic capital including grants, program-related investments, impact investing, thematic exposure, ESG integration and restriction screening. Human capital is the critical element that an organization utilizes to deploy its financial and philanthropic capital.

Financial Capital

Financial capital can be activated across a spectrum of the mission-aligned investment approaches, with the commonality that all are seeking commercial or market-rate returns to support short- and long-term financial needs. Further, these investment strategies can be selected to achieve either broad or specific social and/or environmental goals in accordance with the mission and charitable objectives of the organization. Mission-aligned investments include:

RESTRICTION SCREENING

Organizations may choose to minimize exposure to companies that directly contradict their mission or values. For example, an organization focused on addressing climate change may opt to avoid companies with significant carbon reserves. This can be implemented either by investing in managed strategies that employ restriction screens as part of their investment selection process or by utilizing Morgan Stanley's restriction overlay screens on top of separately managed account and single-stock portfolios.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG") INTEGRATION

Organizations may choose to invest in companies that, in addition to strong financial performance, also have strong ESG performance. This approach assesses companies' corporate operations relative to their peers. Investors seek to use material ESG data as part of their investment process, by focusing on metrics that significantly impact company financial conditions or operating performance, or as a way to optimize for higher ESG-rated companies. There are ESG-integrated strategies across asset classes, and each strategy tends to utilize different data and integration processes.

THEMATIC EXPOSURE

Organizations may choose to invest across asset classes in thematic opportunities aligned with their mission. For example, an organization dedicated to expanding access to clean water in emerging markets may invest in public companies developing water purification technology. This approach focuses on companies that create products and services that are advancing solutions to global social and environmental challenges and generating positive impact.

IMPACT INVESTING

Some organizations may be qualified to allocate capital to investment strategies that focus on private enterprises aligned with their mission either through equity or debt investments. This approach can complement public market investments and/or often allow an organization to target closer to the ground impact.

SHAREHOLDER ENGAGEMENT

Shareholder engagement through proxy voting, filing of resolutions and ongoing dialogue with companies can be activated across all public-market, mission-related investment. For example, an organization focused on gender equality may work with a company to disclose its equal pay results, and an organization focused on combatting climate change may request that a company set renewable energy goals and publish progress against them. Today, many asset managers utilize shareholder engagement as a tool to improve the sustainable corporate practices of the companies in which they invest. As long-term owners, asset managers can seek to play a more active role as shareowners and act on your behalf as an investor in their strategy. Organizations can also use the tools of shareholder engagement by working through an advocacy organization or other like-minded institutions to aggregate shares owned and influence corporations.

Philanthropic Capital

Philanthropic capital can be activated across a spectrum of approaches to address the organization's fiscal position, its current strategies and its assessment of mission alignment and impact.

PROGRAM-RELATED INVESTMENTS

Program-related investments (PRIs) employ financing methods—including loan guarantees, lines of credit and equity investments—to achieve the organization's mission. These investments are differentiated by a direct focus on mission and regulation against purposeful creation of income, with an expectation of below-market returns; this type of philanthropic capital counts toward a foundation's 5% distribution requirement.

GRANTS

Grants involve awarding non-repayable funds to businesses, individuals or other entities to help promote and advance the organization's mission. Depending on the grants agreement, funds can be non-repayable or revocable based on predetermined performance metrics. Grants can have the most direct and immediate impact on mission because they provide capital directly to the end-user with no expectation of financial return.

Human Capital

An organization's board is responsible for developing and overseeing the strategic direction of its financial and philanthropic capital while its staff is responsible for administering its best use on a day-to-day basis.

Effective human capital management, such as sourcing diverse and talented individuals and offering continuing education and training opportunities, is essential to ensuring that an organization has the right people in the right positions to achieve its mission. Equally important is having an organizational structure where key staff can effectively collaborate with important stakeholders within the organization (See Exhibit 4.).

Aligning Jewish Values with Investing and Philanthropy

The Jewish community has a rich history of philanthropic giving, and that tradition continues today. According to Non-Profit Quarterly, members of the Jewish faith in America donate nearly $9 billion annually to charity.[8] The Jewish Values Tool Kit, a collaboration between Morgan Stanley's Investing with Impact, Philanthropy Management, and members of the faith community, guides advisors and their clients in creating investment portfolios and strategic grant making that are consistent with their long-term financial goals and reflect a personalized vision of aligning with Jewish values.

The Morgan Stanley Jewish Values Took Kit, explores the values that run deeply throughout the diverse, global community of Jews, and gives a history of Jewish faith-based philanthropy and investing. It identifies practical strategies for aligning investing dollars and philanthropic donations with Jewish values and innovation within Israel. Investment strategies include restriction screening, ESG integration, thematic exposure, impact investing and shareholder engagement. Philanthropic resources support families and boards of directors to discover their unique faith-based values and how to implement them in their charitable giving.

To inform the creation of this Tool Kit, Morgan Stanley hosted a series of Jewish values consortiums facilitated by respected academic and author Rabbi Darren Levine and impact investing leaders, with each attended by over 250 Jewish philanthropists and community leaders representing their families, Jewish federations and Jewish-intersectional non-profits. For people of faith, it is not always obvious how to integrate their deeply personal code of living into their financial decisions and charitable giving; with the Jewish Values Tool Kit, clients can translate values to impact.

EXHIBIT 4. Potential Organization of Key Teams

Program Staff | Key Staff | Investment Staff

The key staff team can be the link between the program and investment departments

Program, Investment and Key Staff

The key staff team can be part of an integrated program and investment department

EXHIBIT 5. Morgan Stanley Mission Align 360° Financial and Philanthropic Capital Approaches

MINIMIZING MISSION MISALIGNMENT → INCREASING POSITIVE IMPACT

	Restriction Screening	Environmental, Social and Governance (ESG) Integration	Thematic Exposure	Impact Investing	Program-related Investments (PRI)	Grants
DEFINITION	• Managing exposure by intentionally avoiding investments based on specific criteria	• Proactively considering ESG criteria alongside financial analysis to identify opportunities and risks during investment process	• Focusing on themes and sectors dedicated to solving sustainability-related domestic and global challenges	• Allocating investment funds focused on private enterprises structured to deliver specific positive social and/or environmental impacts	• Employing varying financing methods (loan guarantees, lines of credit, equity investments, etc.) in order to achieve mission of foundation	• Awarding non-repayable funds to businesses, indiduals or other entities to help promote and advance mission of foundation
CHARACTERISTICS	• Differentiated by restriction criteria and degree of shareholder advocacy • Not proactively seeking environmental and social impact • Shareholder engagement	• Differentiated by ESG integration process and degree of shareholder advocacy • May also include screens • Shareholder engagement	• Differentiated by macro-analysis, sustainability research and sector focus • Shareholder engagement	• Differentiated by impact approach, regional focus, liquidity and impact reporting • May have investor restrictions • Shareholder engagement	• Differentiated by direct focus on mission and regulation against purposeful creation of income • Returns must be invested or granted the year repaid	• Differentiated by non-requirement for repayment
EXAMPLES	• Mutual fund that excludes companies from buy universe (e.g., tobacco, firearms, coal mining companies)	• Separately Managed Account (SMA) incorporating analysis of ESG performance into stock selection process	• Exchange-traded fund (ETF) tracking index of renewable energy companies	• A private equity fund focused on emerging consumers or project-level renewable energy investment	• A loan to a small business that provides healthy food options to a low-income area	• Monetary support to homeless shelter to fund new staff positions
RETURN	• Market-rate returns	• Market-rate returns	• Market-rate returns	• Market-rate returns	• Provide uncompensated risk and/or below-market returns	• No return

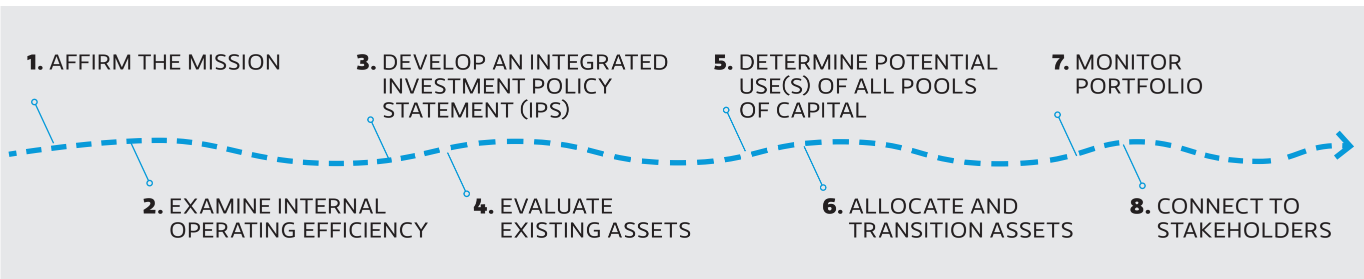
FINANCIAL CAPITAL

PHILANTHROPIC CAPITAL

HUMAN CAPITAL STRATEGY & IMPLEMENTATION

Mission Align 360° Implementation Roadmap

The aim of this Mission Align 360° roadmap is to provide an actionable process that can be customized. Not every organization will begin with step one and continue through to step eight; steps may be skipped or iterated upon as needed.



1. AFFIRM THE MISSION. This first step includes determining how an organization's mission is currently pursued and how it is envisioned for the future. It is critical to affirm the mission statement because it outlines the overall purpose and values of the organization. It should also provide partners and external stakeholders with a clear vision of what will be achieved.

2. EXAMINE INTERNAL OPERATING EFFICIENCY. The Mission Align 360° journey requires introspection of how operations and human capital work together. In order for the organization to successfully implement the process, buy-in and support from the board are crucial requirements. Key team members should propel mission-aligned investing efforts, inform stakeholders of the collective vision, and carry out the following responsibilities:

- Providing clarity on Spending Policy Statement (SPS) in regard to achieving mission
- Educating staff and stakeholders and identifying internal team members responsible for Mission Align 360° implementation
- Approving processes and operations that ensure maximum mission alignment
- Ensuring that the Mission Align 360° implementation roadmap is carried out effectively

A best practice is to identify the key team members who will drive implementation at the beginning of the process. As advocates for aligning mission and assets, these champions should translate the organization's mission into actionable items and help other staff navigate the learning curve. Morgan Stanley has experience in assessing organizational staffing needs and could act as an Outsourced Chief Investment Officer ("OCIO"), if needed.

Once key members have been identified, the organization should organize processes and staff who are critical to Mission Align 360°. Traditional organizations typically operate with two discrete teams:

1. **PROGRAM SIDE**, responsible for grant-making and giving
2. **INVESTMENT SIDE**, tasked with generating the maximum return on assets

The transition to Mission Align 360° aligns program and investment teams with shared impact and financial goals. With a Mission Align 360° approach, collaborative and/or integrated teams can better achieve the organization's overall vision and execute strategy collectively. Organizations can consider different methods for avoiding internal silos, including consolidation of teams or the creation of liaison roles to help bridge the gap.

3. DEVELOP AN INTEGRATED INVESTMENT POLICY STATEMENT (IPS). The IPS should clearly articulate the organization's impact goals alongside its financial goals. The purpose of the IPS is to guide the organization's board, investment committee, advisors or OCIO in properly managing and monitoring assets by clarifying and formalizing priorities and, risk and return objectives. It should include guidelines and procedures for handling asset classes and outside managers, as well as intended Mission Align 360° approaches and how they relate to the organization's mission. The IPS is a guiding document, and it should not be so specific that it might limit the ability to implement effectively. Further detail can be documented in an investment approach or strategy document.

4. EVALUATE EXISTING ASSETS. The full breadth of an organization's assets should be evaluated according to both impact and financial goals. For each asset, the evaluation should explore its alignment to mission and determine whether that alignment or misalignment is incidental or intentional. If alignment is incidental, how can it be made intentional to maximize both impact and return?

- **EVALUATING HUMAN CAPITAL.** An organization's people are its most valuable resource. People are not only the source of the organization's ability to effect change, but also the ultimate decision-makers regarding its strategy to do so. Organizations that most effectively utilize their assets are those that support emerging non-profit staff leaders, cultivate and retain strong board members and leverage their people to define their organizational culture and values. Therefore, periodic review of the board of directors, CEO and staff is essential to ensuring that the organization is positioned for achieving Mission Align 360°.
- **EVALUATING FINANCIAL CAPITAL.** Investors can utilize tools to evaluate the alignment of existing investments with their unique mission and impact objectives. By diagnosing the portfolio's current mission alignment, or exposure to potential sustainability-related risks, investors can make better-informed decisions toward achieving their impact goals. Launched in 2019, Morgan Stanley Impact Quotient® (Morgan Stanley IQ) is an award-winning, patent-pending application that captures a client's unique impact preferences.[9] Morgan Stanley IQ delivers multidimensional impact reporting on the investment's alignment to impact objectives, the UN SDGs, as well as exposure to areas or industries of concern. Investors will be able to leverage this technology to track their ongoing impact through key mission-aligned metrics.
- **EVALUATING PHILANTHROPIC CAPITAL.** Conducting a thoughtful, comprehensive evaluation of an organization's priorities and grant-making strategies is an essential step in ensuring Mission Align 360°. An organization should evaluate existing grant commitments to ensure alignment in the context of its impact-driven grant-making guidelines.

  New opportunities for existing philanthropic capital may be revealed during the evaluation process. For example, an evaluation of current strategies may reveal that a foundation is ready to deploy PRIs as a vehicle to create positive impact. The interest from the PRIs could ultimately be recycled and deployed again. Because a PRI fulfills a foundation's charitable purpose, funds distributed count toward satisfying a foundation's 5% payout requirement in the year in which they are distributed. Topics that may be addressed during the evaluation include the foundation's fiscal position, its current strategies and an assessment of impact.

Collaborating for Cures:

We live in the greatest era of scientific advancement in recorded history and philanthropy has played a critical role in advancing medical discoveries. Despite the generosity of philanthropists dedicated to disease research worldwide, there are still far too many patients and families struggling with diseases for which there are no cures or meaningful treatments. An impact fund is a new approach to funding critical life sciences and clinical trials. Combining the power of leading non-profit research accelerator, Harrington Discovering Institute (HDI), with the expertise of an investment firm, this type of innovative partnership bridges the gap between academic discoveries and potential new therapies.

Using philanthropy, HDI incubates donor-funded basic drug research into high-potential drug targets ready for venture capital. For example, HDI helped establish a proof of concept and secure FDA approval for an investigational trial treatment for a gene mutation linked with severe epilepsy (KCNT1), which presented early success in a 2-year-old patient. Additional philanthropy funding was critical to enroll a second patient and advance through clinical trials. Then, using venture capital's funding and expertise, an impact fund invests in these advanced drug targets, such as the KCNT1 treatment, to form companies that generate new, life-saving commercial medicines to market to patients globally. The impact fund then donates a portion of management and performance fees to HDI to continue accelerating early-stage drug development. This virtuous cycle fuels new breakthroughs, medicines, and therapies to meet urgent patient needs at scale.

5. DETERMINE POTENTIAL USE(S) OF ALL POOLS OF CAPITAL. A key characteristic of organizations that have successfully implemented Mission Align 360˚ is their investment decision flexibility. Morgan Stanley believes that achieving Mission Align 360˚ requires an open mind and creative thinking and encourages organizations to consider all available pools of capital for potential allocation to mission (See Exhibit 3). Though there are a wide variety of solutions and products available to organizations, customizing investments precisely to a specific mission can be challenging.

Further, some organizations have broad missions, meaning their intended impact is not limited to specific issue areas. This is often true for locally-based organizations that choose to focus on opportunities in geographic proximity without stipulating the exact programmatic, mission or impact objectives. Taking a holistic view of impact provides organizations with a more expansive spectrum of products and solutions and gives rise to an important concept, known as the bridge to mission (See Exhibit 6). The bridge spans the gap between directly targeted program-led tools, such as grants and program-related investments, and mission-related Investing with Impact solutions that aim to achieve market-rate returns. Organizations looking to transition to Mission Align 360˚ will want to seek potential investments that function as a bridge between program-led philanthropy and mission-led investing.

To better illustrate how the bridge to mission can be utilized, Exhibit 7 details an approach to Mission Align 360˚. The *Application to Mission* column demonstrates that, although not every strategy is directly aligned with the organization's overall mission, each strategy is carefully chosen to ensure that it advances the organization's values or at a minimum is not contrary.

EXHIBIT 6. Bridge to Mission

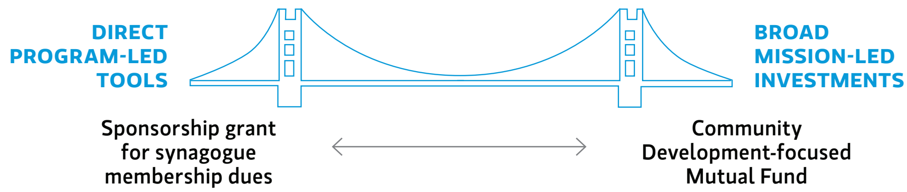


EXHIBIT 7. Example of Private Foundation Mission Align 360˚ Approach

PRIVATE FOUNDATION **Mission:** Advancing Jewish Values

	Strategies	Impact/Theme	Approach	Application to Mission
FINANCIAL CAPITAL	EQUITIES (Mutual Fund, Separately Managed Account, Exchange Traded Fund)	Emphasize investments aligned with Jewish Values and reduce exposure to investments that contradict the mission	Restriction screening, ESG integration, thematic exposure, shareholder engagement	• Invest in funds made up of global, publicly traded companies whose global operational and governance practices are aligned with Jewish Values • Requires companies to meet broad ESG criteria
FINANCIAL CAPITAL	FIXED INCOME	Lending to support Jewish community development	Restriction screening, ESG integration, thematic exposure	• Invest in a bond fund whose lending activity supports community economic development, including affordable housing, elder care, schools, hospitals and community centers • Invest in Israeli bonds
FINANCIAL CAPITAL	PRIVATE EQUITY	Strengthen Jewish Values aligned firms	Impact investment	• Target business that align with Jewish Values and have high levels of involvement in Israel
FINANCIAL CAPITAL	DEFINED CONTRIBUTION PLAN	Focused on Jewish Values	ESG integration, thematic exposure	• Add appropriate investment options aligned with the organizational mission to retirement plan menus can allow employees to maximize impact while saving for retirement
PHILANTHROPIC CAPITAL	PROGRAM RELATED INVESTMENT (PRI)	Funding for Jewish museum expansion	Seed funding/ equity investment	• Provide capital for expansion of Jewish history museum to increase exhibit capacity
PHILANTHROPIC CAPITAL	GRANT	Supporting synagogue memberships	Unrestricted, multi-year	• Contribute funds (without expectation of repayment) for synagogue membership dues for those who cannot afford to join
HUMAN CAPITAL	TALENT DEVELOPMENT	Aligning people with mission	Professional development	• Support staff training of Jewish Values to deepen knowledge and understanding
HUMAN CAPITAL	PROFESSIONAL PLACEMENT	Aligning leadership with mission	Recruitment	• Elects board members with experience promoting Jewish Values

For illustrative purposes only.

6. ALLOCATE AND TRANSITION ASSETS.

Shifting capital to align with mission can be challenging. However, thinking how each dollar controlled by an organization can be activated to create positive impact can be deeply rewarding. A trusted Morgan Stanley advisor can serve as a valuable resource for successfully navigating the transition of human, financial and philanthropic capital, as well as helping to understand any potential trade-offs or considerations.

HUMAN CAPITAL

Strengthening human capital may require reallocation of resources from talent development toward talent recruitment. Morgan Stanley Philanthropy Management's Non-profit Board and Professional Placement services can assist in these efforts. If funds are better directed toward talent development, the Morgan Stanley Exemplary Board Leadership Program can provide education and training. Another aspect of human capital is connecting with donors. In an environment where every dollar matters and many organizations are competing for donors' attention, the ability to showcase Mission Align 360° can forge a deeper connection between donors and an organization's efforts. Highlighting the organization's Mission Align 360° strategy at events and online and educating the development team on how to speak about the Mission Align 360° strategy, could play an important role in connecting more deeply to new and existing donors.

EXHIBIT 8. Determining the Most Appropriate Use of Financial and Philanthropic Capital

ORGANIZATION-RELATED	INVESTEE-RELATED
Appetite for risk	Needs of investee (e.g., size of investment, purpose of investment)
Capacity to conduct due diligence for investments across the full spectrum of impact approaches	Ability to repay
Return expectations	Ability and resources to provide data and metrics on investment
Impact outcome (positive environmental and social) expectations	
Availability of resources to monitor investments	

FINANCIAL CAPITAL

Factors to consider when deciding amongst investments include both organization-related and investee-related variables.

Mission Align 360° is a unique journey, and there is no "one size fits all" approach. Each organization's motivations to pursue Mission Align 360° can vary widely across geographic, political, economic and theory of change lines. The transition can be implemented from the beginning (e.g., for a newly formed or allocated organization) or for organizations with existing asset allocations and underlying investments as either a gradual process to total or partial portfolio or as a carve-out (see Exhibit 9).

The process of allocating capital to achieve financial and mission alignment is rooted in the traditional tenets of asset allocation, manager research and portfolio construction. Evidence demonstrates that asset allocation is the most important determinant of investment outcomes (91%), followed by security selection (5%), market timing (2%) and other factors (2%).[10] As a result, all successful Mission Align 360° implementation across financial capital begins with appropriate asset allocation. Diversified portfolios built with uncorrelated asset classes may lead to a reduction in overall volatility. After establishing financial parameters and impact goals, the process of aligning capital with mission across the portfolio begins.

This integration can be done in a number of ways, from total portfolio activation across all appropriate asset classes to a more measured approach of activating a portion of the portfolio or creating an impact carve-out (See Exhibit 9). It is important to note that the ability to target an organization's specific impact goals may become more difficult across a fully diversified portfolio as a result of limited product availability. Therefore, impact approaches might move across the spectrum from a specific targeted impact to broader best-in-class ESG integration or restriction screening or no-impact-at-all approach in line with the financial objectives of the portfolio. Morgan Stanley IQ allows investors to understand the impact approach taken by each of the managers in their portfolio.

Did You Know?

Philanthropy Management works with charitable organizations on creating or revising mission and vision, improving organizational governance, board education and placement, streamlining operations, and enhancing fundraising strategies. The team also works with charitable organizations to assist in the evaluation of philanthropic and human capital to help ensure deployment is aligned with mission.

EXHIBIT 9. Transitioning to Mission Align 360° Financial Capital Portfolio Construction

PARTIAL PORTFOLIO ACTIVATION
Beginning to go all in where available and appropriate with the intention of scaling

CARVE-OUT
Setting aside a dedicated portion of portfolio with the intention of scaling

TOTAL PORTFOLIO ACTIVATION: In line with an organization's proposed asset allocation, total portfolio activation can be implemented to achieve both broad and specific impact and mission-aligned objectives. Organizations can gradually activate across all asset classes for impact and financial objectives utilizing different impact approaches, as well as a combination of investments (single-stock portfolios, mutual funds, exchange-traded funds, separately managed accounts, etc.). Morgan Stanley offers a broad array of investment products across most asset classes that are researched by a team of over 70 due diligence analysts, including dedicated Investing with Impact resources. For organizations ready to fully align their investments with their stated mission and are clear on both their impact goals and financial objectives, total portfolio activation is a useful approach.

PARTIAL PORTFOLIO ACTIVATION (FIT WITHIN AN EXISTING PORTFOLIO): This approach commits a portion of the portfolio to investments that align financial and impact goals. This could evolve to include a larger allocation (%) of assets activated toward mission alignment over time. Partial portfolio activation could also be used as a replacement strategy. For example, when an asset manager search is required for new capital or to replace an existing strategy, this approach seeks to find alternatives (asset managers or individual securities) that are on equal financial ground and also take into consideration the organization's mission alignment and impact objectives. By partnering with a trusted Morgan Stanley advisor, investors can leverage the insights of Morgan Stanley IQ to guide the manager selection process. This process of committing a portion of the overall portfolio could be very useful for organizations where there may not be consensus among investment decision-makers or where there may be low comfort level and familiarity with newer asset manager names and investment styles.

CARVE-OUT STRATEGY: This could be a separate legal entity, managed to its own risk and return parameters and/or thought of as a separate portion of the total assets, but included in the total portfolio risk and return parameters. Organizations may use the carve-out to identify promising investment opportunities, and then integrate these successful investments into the core portfolio if appropriate and in line with the portfolio's strategic financial objectives. The carve-out approach could be useful for organizations that want to empower an impact-focused group to control a smaller, but fully contained portion of the portfolio in a mission-aligned way.

IMPLEMENTATION CONSIDERATIONS: At times, organizations are invested in commingled funds that contain holdings contradictory to their missions or illiquid investments that are subject to redemption lock-ups, which may prevent them from transitioning a portion of assets in line with our Mission Align 360° roadmap. In these situations, a best practice is to work with trusted advisors and fund managers to determine the next best course of action, which may include screening out contradictory holdings or planning a strategy for exit.

> "Experience has taught us that acting as institutional investors and flexing our collective muscles to drive more sustainable and transparent investments can effectively advance our mission."
>
> — **PRESIDENT OF A U.S.-BASED FAMILY FOUNDATION**

EXHIBIT 10. Additional Investment Strategy Activities and Reporting

PROXY VOTING	SHAREHOLDER ENGAGEMENT	REPORTING	INDUSTRY AFFILIATIONS	GIVING CIRCLES
Casting a vote on company resolutions	Opening dialogue with companies on sustainable issues	Disclosing company, bond or other investment impact	Contributing to external discussions about key issues	Engaging a particular community in collective action around a shared area of interest
EXAMPLES • Voting in favor of proposal to increase sustainability reporting • Voting against board candidate lists due to insufficient diversity	EXAMPLES • Working with company to disclose its equal pay results • Requesting that a company set renewable energy goals	EXAMPLES • Investing in green bond used to fund corporation's construction of sustainable building • Investing in company providing clean technology solutions to fight climate change	EXAMPLES • Integrating UN Sustainable Development Goals into investment decisions • Supporting progress of the Sustainability Accounting Standards Board (SASB)	EXAMPLES: • Knowledge-sharing of new strategies for investing in renewable energy solutions • Leveraging external experts to bring forward potential funding, advocacy, and mission-aligned investments as a group

PHILANTHROPIC CAPITAL

An organization seeking Mission Align 360° has numerous opportunities to allocate philanthropic capital to produce impact. For example, to complement traditional grantmaking, an organization may allocate philanthropic capital to a donor-advised fund (DAF). A DAF is a private fund administered by a third party and created for the purpose of managing charitable donations. Gifts or grants to a DAF can be cash, marketable securities, and other assets. Private Label Donor-Advised Funds represent a specific type of DAFs that can be leveraged to activate additional philanthropic capital. This is a useful tool for many community foundations, and Morgan Stanley has designed a DAF platform, MS GIFT, that includes sustainable and impact investing options.

7. MONITOR PORTFOLIO. This includes monitoring for current mission alignment, adherence to the Investment Policy Statement and opportunities to activate assets further to create a positive impact. Impact reporting can be complex and often lacks a standardized methodology. However, it is a key evaluative tool to assist organizations in understanding the value of their investments. Morgan Stanley believes that an integrated approach to portfolio reporting including financial performance, mission alignment and impact reporting—is critical to Mission Align 360°. Morgan Stanley IQ provides standardized investment manager impact data for all asset managers with products on the Investing with Impact Platform. In order to be considered for the Platform, investment managers must demonstrate a systematic process for embedding impact approaches into their investment selection process.

8. CONNECT TO STAKEHOLDERS. Connecting to stakeholders enables effective communication of mission and values. It also enables better understanding of stakeholders' perspectives and concerns.

Morgan Stanley is a committed partner in transitioning assets to a Mission Align 360° approach and understands the need for ongoing resources, communication and support. Those interested in publicly sharing their Mission Align 360° journey can consider highlighting the details, successes and lessons learned on their own websites.

EXHIBIT 11. Morgan Stanley Resources and Ongoing Support

THOUGHT LEADERSHIP AND RESEARCH	• Morgan Stanley Institute for Sustainable Investing thought leadership • MS + Co. Sustainability Research • Investing with Impact Tool Kits and research
DIGITAL	• Subscribe to the Morgan Stanley Ideas podcast • Visit the Morgan Stanley website • Social media engagement
FOCUS STORIES	• Insights and Outcomes • Quarterly publication: "Impact Outcomes"
COLLABORATION OPPORTUNITIES	• Collaboration networks • Peer organizations • Issue-aligned stakeholders and donors
IMPACT REPORTING	• Morgan Stanley Impact Quotient®

Ford Foundation: Putting Mission Align 360° to Work at Scale:

Throughout its almost century-long history, the Ford Foundation has leveraged its vast philanthropic resources to create impact across the globe. Across time, as diverse community needs and priorities emerged, the Ford Foundation's grant investments and programming evolved to advance and amplify social good, as did its approach to capital management. Recently, the Ford Foundation has utilized creative financing strategies to augment its capacity for impact. In 2017, it harnessed the power of its endowment by allocating a fraction of its resources to mission related investments (MRIs), leveraging capital markets to create both financial and social returns. The MRIs focus on expanding access to affordable housing, financial inclusion, diverse managers, and quality jobs. In response to the global pandemic brought by COVID-19, in the summer of 2020 Ford released the first ever Social Bonds (taxable). The net proceeds of these bonds will allow the Foundation to double its grantmaking over two years. The proceeds from Ford's sale of Social Bonds will be used to help stabilize and strengthen key organizations fighting inequality, including social justice and creative expression organizations. Darren Walker, president of the Ford Foundation and a member of the Morgan Stanley Institute for Sustainable Investing Advisory Board, is an outspoken advocate of the creative uses of capital for philanthropic organizations. During the 2020 Exchange, co-hosted by Morgan Stanley, he spoke passionately about how the private and social sector can work together to advance a more equitable economic system. These combined approaches distinguish the Ford Foundation, and ultimately have profound cumulative impact advancing its vision of a socially just world.

Key considerations in transitioning an organization's capital for mission alignment and positive impact:

START BIG. START SMALL. START SOMEWHERE: Mission Align 360° requires a collaborative partner and trusted advisor with the expertise and resources to advise your organization in navigating all potential ways to maximize positive impact.

ACKNOWLEDGE THAT THE INVESTMENT MARKET IS EVOLVING: While investment approaches aimed to align capital with values have existed for at least a century, the evolution of the space is accelerating. Industry trends such as increased investor emphasis on improved corporate reporting, greater accessibility to ESG data, emerging investor consciousness and increasingly sophisticated tools for advisors highlight the momentum around sustainable investing and alignment of mission with financial returns.

AVOID ANALYSIS PARALYSIS AS A BARRIER TO IMPLEMENTATION: Assessing all available pools of capital for mission alignment can be complex, especially when considering all possible options and outcomes. One way to overcome endless philosophical conversations is to take action, engage in some capacity and then re-evaluate over time as the industry evolves. Keep in mind that you may not even have to change the asset allocation as part of this process.

LOOK FOR OPPORTUNITIES IN THE CHALLENGES: Implementation is both an exploratory and iterative process. In identifying mission-maximizing uses of capital—including financial and philanthropic opportunities—organizations stand to benefit from greater knowledge about their goals and vision for their place in society, which in turn to attract new donors and deepen relationships with existing donors.

JOIN A COLLABORATION NETWORK: Some investors and philanthropists see their capital as catalytic and seek to take an active role in developing the marketplace through participation in affinity groups. For example:

- Interfaith Center for Corporate Responsibility (ICCR): Coalition of faith and values-driven organizations who collaborate to file shareholder resolutions and share key Investing with Impact best practices
- Global Impact Investing Network (GIIN): Non-profit dedicated to increasing the scale and effectiveness of impact investing through building a network of investors
- Women Moving Millions Giving Circles Program: The Circles Program provides members with the opportunity for interaction, knowledge sharing, and collective action for new strategies within gender-lens philanthropy

Conclusion

Mission Align 360° is more than an aspiration; it's an imperative for organizations seeking to leverage all available pools of capital to advance their mission and create positive impact. It's also a rewarding and transformational process that aims to achieve intentional alignment between an organization's financial objectives and its mission statements. Each organization is unique and will need to chart it's own distinct Mission Align 360° journey. We are proud to partner with organizations to advance the industry and develop actionable strategies to maximize positive environmental and social impact, both locally and globally.

Mission Align 360° Terminology

Human Capital – The collective skills, talents, knowledge or other intangible assets of individuals that can be used to create economic value.

Philanthropic Capital – Capital that has no, or low, expectation of financial return such as grant- making and program-related investments.

Financial Capital – Investments that seek to achieve specific social goals while targeting market-rate financial returns.

Environmental, Social and Governance (ESG) – Sustainable corporate practice data used as part of the ESG integration process. Data available across public and private companies can include carbon emissions reporting, energy efficiency, water intensity, board diversity and more.

Thematic Exposure – Focusing on themes and sectors dedicated to solving sustainability-related domestic and global challenges.

Impact Investing – Allocating investment funds to private enterprises structured to deliver specific positive impacts.

Mission-Related Investing (MRI) – Aligning a charitable organization's mission for social or environmental impact with the investment of assets while seeking a long-term financial return.

Program-Related Investing (PRI) – A loan or other investment made by a foundation to a for-profit or nonprofit organization. Program-related investments are an exception to the general rule barring jeopardy investments. The foundation generally expects to receive its money back with limited or concessionary returns. This return can then be recycled to provide additional funds for loans or investments to other organizations. A program-related investment may involve loan guarantees, purchases of stock or other kinds of financial support.

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

SOURCES

[1] Key Facts on U.S. Nonprofits and Foundations, Candid, June, 2020

[2] Giving USA, 2020.

[3] National Center for Charitable Statistics, June, 2020.

[4] Key Facts on U.S. Nonprofits and Foundations, Candid, June, 2020.

[5] Stanford Social Innovation Review. Philanthropic Pioneers: Foundations and the Rise of Impact Investing, January 17, 2017.

[6] United Nations Principles for Responsible Investment and foundation websites, as of the latest reported data.

[7] 2018 Global Sustainable Investment Review, Global Sustainable Investment Alliance, 2018.

[8] Non-Profit Quarterly. America's Jewish Community Leads in Per Capita Giving.

[9] MMI and Barron's Announce Winners of 2019 Industry Awards. Available at https://www.mminst.org/mmi-news/mmi-and-barron's announcewinners-2019-industry-awards

[10] Roger G. Ibbotson. Does Asset Allocation Policy Explain 40, 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.

IMPORTANT DISCLOSURES

This material does not provide individually tailored investment advice. It has been prepared without regard to the individual financial circumstances and objectives of persons who receive it. The strategies and/or investments discussed in this material may not be appropriate for all investors. Morgan Stanley Smith Barney LLC recommends that investors independently evaluate particular investments and strategies, and encourages investors to seek the advice of a Financial Advisor. The appropriateness of a particular investment or strategy will depend on an investor's individual circumstances and objectives. This material is not an offer to buy or sell any security or to participate in any trading strategy

This publication is based on information from multiple sources and Morgan Stanley makes no representation as to the accuracy or completeness of information from sources outside of Morgan Stanley. The 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 types of approaches taken by managers who focus on ESG criteria in their investment strategy. There can be no guarantees that a client's account will be managed as described herein

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

Asset allocation and diversification do not assure a profit or protect against loss in declining financial markets. Past performance is no guarantee of future results. Actual results may vary

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. 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.

Alternative investments may only be offered to clients by AI- qualified FAs/ PWAs/ICs. Before AI-qualified FAs/PWAs/ICs may discuss a particular private fund with a prospective investor, they must confirm that the prospective investor meets the offering's minimum qualification requirements by submitting the appropriate client information into the firm's Reg D system. Only firm approved offering materials (generally, the offering memorandum, Pitchbook and related materials) may be used to offer or sell interests in a particular fund.

Most alternative investments on the AI platform are sold on a private placement basis to eligible clients who must be Accredited Investors and/or Qualified Purchasers depending on the requirements of the specific investment. Investing in the market entails the risk of market volatility. The value of all types of investments may increase or decrease over varying time periods.

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 appropriate 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. Funds of funds typically have higher fees than single-manager vehicles as they are subject to an additional layer of fees charged by the fund of funds manager.

Alternative investments involve complex tax structures, tax inefficient investing and delays in distributing important tax information.

Equity securities may fluctuate in response to news on companies, industries, market conditions and general economic environment. Because of their narrow focus, **sector investments** tend to be more volatile than investments that diversify across many sectors and companies. Risks applicable to companies in the **energy and natural resources** sectors include commodity pricing risk, supply and demand risk, depletion risk and exploration risk.

An investment in an exchange-traded fund involves risks similar to those of investing in a broadly based portfolio of equity securities traded on 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 prices. The investment return and principal value of ETF investments will fluctuate, so that an investor's ETF shares, if or when sold, may be worth more or less than the original cost.

Indices are unmanaged and investors cannot directly invest in them. They are not subject to expenses or fees and are often comprised of securities and other investment instruments the liquidity of which is not restricted. A particular investment product may consist of securities significantly different than those in any index referred to herein. Composite index results are shown for illustrative purposes only, generally do not represent the performance of a specific investment, may not, for a variety of reasons, be an appropriate comparison or benchmark for a particular investment and may not necessarily reflect the actual investment strategy or objective of a particular investment. Consequently, comparing an investment to a particular index may be of limited use. Index returns include the investment of all dividends, but do not reflect the payment of transaction costs, advisory fees or expenses that are associated with an investment. The indices selected by Morgan Stanley Smith Barney LLC ("Morgan Stanley") to measure performance are representative of broad asset classes. Morgan Stanley retains the right to change representative indices at any time. 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. Past performance does not guarantee future results.

Morgan Stanley Impact Quotient® is intended to help your Morgan Stanley Financial Advisor identify and record the impact priorities that matter most to you; however, not all selections are currently available for reporting in Morgan Stanley Impact Quotient®. We have prepared this solely for informational purposes. You should not definitively rely upon it or use it to form the definitive basis for any decision, contract, commitment or action whatsoever, with respect to any proposed transaction or otherwise. This material does not provide individually tailored investment advice. It has been prepared without regard to the individual financial circumstances and objectives of persons who receive it. The strategies and/or investments discussed in this material may not be appropriate for all investors.

Morgan Stanley Wealth Management recommends that investors independently evaluate particular investments and strategies, and encourages investors to seek the advice of a Financial Advisor. The appropriateness of a particular investment or strategy will depend on an investor's individual circumstances and objectives. This material is not an offer to buy or sell any security or to participate in any trading strategy. The mention of any specific security or company herein is for illustrative purposed only and does not constitute a recommendation. Asset allocation does not guarantee a profit or protect against a loss. Morgan Stanley Impact Quotient® reports are is based on information from multiple sources and Morgan Stanley makes no representation as to the accuracy or completeness of information from sources outside of Morgan Stanley. Information contained therein has been obtained from MSCI ESG Research, Equileap, ISS-ESG, Fossil Free Indexes, the United Nations and Morgan Stanley.

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

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 appropriate 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.

Strategies are sometimes available in Morgan Stanley Wealth Management investment advisory programs both in the form of a separately managed account ("SMA") and a mutual fund. These may have different expenses and investment minimums. Your Financial Advisor can provide more information on whether any particular strategy is available in more than one form in a particular investment advisory program. In most Morgan Stanley Wealth Management investment advisory accounts, fees are deducted quarterly and have a compounding effect on performance. For example, on an advisory account with a 3% annual fee, if the gross annual performance is 6.00%, the compounding effect of the fees will result in a net performance of approximately 3.93% after one year, 12.25% after three years, and 21.23% after five years.

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

Overlay Managers or Executing Sub-Managers ("managers") in some of Morgan Stanley's Separately Managed Account ("SMA") programs may affect transactions through broker-dealers other than Morgan Stanley or our affiliates. If your manager trades with another firm, you may be assessed costs by the other firm in addition to Morgan Stanley's fees. Those costs will be included in the net price of the security, not separately reported on trade confirmations or account statements. Certain managers have historically directed most, if not all, of their trades to outside firms. Information provided by managers concerning trade execution away from Morgan Stanley is summarized at: www.morganstanley.com/wealth/investmentsolutions/pdfs/adv/sotresponse.pdf. For more information on trading and costs, please refer to the ADV Brochure for your program(s), available at www.morganstanley.com/ADV, or contact your Financial Advisor/Private Wealth Advisor.

Morgan Stanley Smith Barney LLC, its affiliates and Morgan Stanley Financial Advisors do not provide legal or tax advice. Each client should always consult his/her personal tax and/or legal advisor for information concerning his/her individual situation and to learn about any potential tax or other implications that may result from acting on a particular recommendation.

 Alternative investment securities discussed herein are not covered by the protections provided by the Securities Investor Protection Corporation, unless such securities are registered under the Securities Act of 1933, as amended, and are held in a Morgan Stanley Wealth Management Individual Retirement Account.