Good morning. This is Sharon Yeshaya, Head of Investor Relations. During today's presentation, we'll refer to our earnings release and financial supplement and strategic updates, copies of which are available at morganstanley.com. Today's presentation may include forward-looking statements that are subject to risks and uncertainties that may cause actual results to differ materially. Please refer to our notices regarding forward-looking statements and non-GAAP measures that appear in the earnings release and strategic updates. This presentation may not be duplicated or reproduced without our consent.

Within the strategic update our reported results for 2014 have been adjusted to exclude several significant intermittent items which were highlighted in our 2014 annual report on form 10-K. Likewise, our reported EPS and ROTCE metrics for 2019 have been adjusted to exclude the impact of intermittent net discrete tax benefits. These adjustments were made to provide a transparent and comparative view of 2014 and 2019 operating performance against our strategic objectives. The reconciliation of these non-GAAP adjusted operating performance metrics are included in the notes to the presentation.

I will now turn the call over to Chairman and Chief Executive Officer James Gorman.

James Gorman

Thank you, Sharon. Good morning, everyone. Thank you for joining us. 2019 was a strong year representing one of the best in our history. Results were within our target ranges with contributions from each of our business lines. John will discuss the details of 2019 in a moment but first let me take you through our annual strategic update presentation.

Please turn to slide three. I think about our firm's transformation in five-year increments. Over the first five years period, we worked aggressively to clean up the issues from the financial crisis, stabilize the firm, integrated Smith Barney into our franchise and reset our strategy. Over the next five years we've made significant investments in our business around digitalization, technology, talent and the balance sheet.

We grew revenues by 20% while we managed the expenses tightly, doubled net income and materially increased capital return. Our ROTCE now stands at nearly 13% and EPS is more than doubled excluding intermittent discrete tax benefits.

Today, we will discuss the next phase of our evolution. The goal continues to be to shift our business further, emphasizing more durable sources of revenue within institutional securities and from wealth and investment management. The continuation of this evolution should by design, help support a base level of profitability during periods of market disruption.

Drilling a little deeper into this throughout this decade long journey we defended and expanded our institutional securities footprint which we show on the slide four. Our brand is closely tied to our institutional presence and leading integrated investment bank.

Our premier institutional franchise remains the key competitive advantage which has allowed us to take share and grow revenues despite a shrinking wallet. At the same time the contribution from wealth and investment management continues to grow as shown on slide five.

Over the last five years, we have increased the profitability of our wealth management business while still making investments in the U.S. banks and our modern wealth platform. Of particular note, on nearly a 100% of business days we have revenues greater than or equal to $60 million nearly three times that which was five years ago.

We also invested in our investment management platform. We put together a new growth-oriented leadership team and focused on clients, solutions and new products. We highlight the growth in long term net flows which reflects strong long-term performance. With combined revenues of approximately $21 billion our wealth and investment management businesses are among the largest platforms in the world and now we have an untapped opportunity to further scale our wealth management channel through our workplace offering.

Meeting these ambitions for future growth would not be possible without a strong culture and a cohesive team.

On slide six, we described our culture and the tenure of our leadership team. We have an 8-year track record of stating and meeting various public goals. We continue to invest meaningfully in our culture and diversity efforts to ensure we remain an employer of choice for our top talent and further Morgan Stanley has been at the forefront of sustainable finance.

We founded our global sustainable finance group over a decade ago with the mission to accelerate the adoption of sustainable investing across capital markets.

I want to spend most of my time providing a bit more detail about the future opportunities we are excited about and that we see across our franchise. Across our segments we have platforms with scale benefits and we're positioned for growth. Let's start with institutional securities on slide 7.

Our institutional footprint in franchise is extremely strong. In the phase of declining wallet, we've gained share over the last five years across our institutional businesses and we've reason to believe these gains are sustainable. Our business has benefited from the stability of the leadership and commitment to a global client footprint. We expect to continue to hold and gain share across the division.

On slide 8, we take a deeper look at wealth management. 2020 marks a new chapter in our wealth management strategy.

The significant investments we make in the digital space, the acquisition of Solium position us to efficiently service the mass [indiscernible] population and capture new clients and assets through the workplace.

Moreover, we can leverage the corporate relationships we've built through our institutional offering as we look to add new corporate clients. We've completed the Morgan Stanley at work offering to span beyond just share works by Morgan Stanley as stock plan and administration platform. We are enhancing diversity in our financial wellness and retirement offerings. This more fulsome suite of products allows us to deliver services to an even larger base of employees and this will help ensure that our touch points are not limited to stock plan participants.

As illustrated on this slide we're continuing to win new mandates. The combination the state-of-the-art share works platform and the Morgan Stanley Wealth Management capabilities is being very well received in the marketplace. We expect to fully convert all of our existing corporate clients to the Morgan Stanley work model by the end of 2021.

To-date nearly 40% of those plans on the legacy Morgan Stanley system have been transitioned to Shareworks and the remainder will be accomplished by year end 2020 and by the end of ‘21 individual employees of our corporate clients will gain access to financial coaching, exclusive educational content and our self-directed brokerage offering providing them with an introduction to our wealth management services.

Over the next five to seven years we expect to convert over 1 million employee participants to either wealth management digital or advisory channels adding to the more than 3 million client relationships we have today. We'll be able to provide a compelling offering for all our relationships servicing the ultra high and high net worth segments with financial advisors and more massive funds clients with our virtual adviser or digital solutions.

Moving to slide 9, we've been clear that we believe that supporting advisors for cutting-edge technology and enabling them to deliver unique product and set of services to clients will be our competitive advantage going forward.

The investments we made with our digital initiatives have been embraced by our advisers and anecdotally these tools are supporting asset consolidation.

Additionally, of course we've seen over 250 billion of assets flows in advisory over the last four years and continue to believe that at least half of our client assets will migrate to advisory over the medium term.

Let's talk about investment management on slide 10. The asset management sector is both very large and extremely fragmented lending itself to opportunities for growth in areas where we believe we can deliver differentiated value to our clients and to me one of the most exciting things we've done to capture this opportunity is product innovation illustrated by the number of new products we've developed.

These products have broadened our revenue base, made us more relevant across the client spectrum and translated into material, revenue and asset growth.

Since 2016 we've launched many new products successfully leveraging a global client franchise. We've already seen significant contribution from these products generating $19 billion of incremental assets under management and almost $500 million of incremental revenue in 2019 versus 2016. These strategies continued new product launches and investments in our client franchise more broadly will be a very important component of future growth.

Another key driver of growth is our existing diverse alternatives client franchise. If you see on slide 11 our alternative client platform is at scale and there is strong secular growth in private alternatives. In addition to new private alternative product launches noted on the prior page we're seeing strong organic growth in our existing high-performing private funds.

For example, our infrastructure number 3 fund which closed in the fourth quarter is over 50% larger than infrastructure 2 raising $5.5 billion of institutional capital versus $3.6 billion respectively.

Further, we continue to see very strong organic growth in our premier institutional core real estate strategy. Our alpha products across both private and public markets as well as our world-class global solutions capabilities will be critical contributors to investment management's revenue growth. Our public active equity strategies has strong performance and global client footprint has driven robust net flows. We believe we ranked number 1 in organic growth since 2017 among the top publicly traded active equity managers.

So let's turn to slide 12. We expect that these and all our other growth initiatives along with expense discipline will drive further ROTCE expansion. In 2015, we communicated that we believe we were capital sufficient. Since that time we've continued to deploy our capital to meet our strategic objectives.

We look forward to the transition to the new capital regime and expect Morgan Stanley will be able to return excess capital to shareholders while continuing to invest for future growth. Our robust capital position will enable us to pursue opportunities to invest in the franchise and return in capital. We're confident in our ability to deliver 2-year ROTCE expansion at 13% to 15%.

I'll conclude with our updated strategic objectives. The targets we expect to achieve in 2021 as well as our longer-term aspirational targets are shown on slide 13.

We've meaningfully and with intent transform this business into what it is today. As we execute on the next phase of the firm's journey the objectives listed here assuming a normal market environment should result as a natural consequence. We believe that in 2021 wealth management will be a 28% to 30% pre-tax margin business and will exceed 30% over time.

This business has compelling scale benefits. Between our core competency of serving ultra high and high net worth individuals and our new expansion into the workplace there is clearly room to grow from here.

On wealth management we're making numerous investments across all of our platforms to enhance the digitalization of our firm and overall technological capabilities given our scale and other efficiencies. We have largely been able to self-fund these investments.

Between this and revenue growth we expect to achieve an efficiency ratio 70% to 72% in 2021 and below 70 in the long term.

As a result of these and all the other efforts we expect our return on tangible common equity to rise to 13% to 15% in 2021 and over the long term we aspire to have a return on tangible common equity of 15% to 17%.

Given our established track record our competitive positioning now continues to invest into our business, we're confident in our ability to achieve each of these objectives. I will now turn the call over to Jon who will discuss our fourth quarter and annual results and then together we would take all of your questions. Thank you.

Jonathan Pruzan

Thank you and good morning. The firm produced a record level of revenues in 2019. We had strong momentum through the quarter and finished the year on solid ground. In the fourth quarter firm revenues were $10.9 billion increasing 8% sequentially contributing to full-year revenues of $41.4 billion. Fourth-quarter PBT was $2.7 billion and EPS was $1.30 resulting in an ROE of 11.3% and ROTCE of 13%.

In the fourth quarter severance expenses of $172 million related to a December employee action and intermittent net discrete tax benefits of $158 million largely offset each other. For the full year ROE was 11.7% and ROTCE was 13.4%.

Total non-interest expenses were $30.1 billion for the year. Non-compensation expenses were essentially flat to 2018 at $11.3 billion demonstrating our ability to self fund incremental costs related to absorbing and integrating Solium and increased technology investments through continued discipline over our more controllable expenses particularly marketing and business development and professional services.

We continue to actively review efficiency opportunities including optimization of our global workforce through reduced dependence on contingent workers and leveraging our global in-house centers. We also see opportunities for vendor consolidation across the firm over time.

This focus will result in continued momentum to control our non-compensation expenses and help us achieve the objectives that James just discussed. Compensation expenses increased 7% on a full-year basis. This rise included severance charges and significant movements and deferred compensation plans as well as increased revenues. Our full-year expense efficiency ratio was 72.7% below our 73% target.

Now to the businesses. Our institutional securities business reported revenues of $5.1 billion marking the best fourth quarter in over 10 years. Results were driven by strength in investment banking especially advisory.

Additionally, we did not see the seasonal slowdown in sales and trading or underwriting typical of a fourth quarter. For the full year ISG revenues were $20.4 billion slightly below last year's record level.

The compensation ratio for the quarter rose to 40.7% reflecting a $124 million of severance related to the December action and the impacts of movements in investments associated with employee deferred compensation plans.

After considering the impact of these items the fourth-quarter compensation ratio was approximately 36% and looking at the full year again after considering these adjustments the compensation ratio was under 35%.

DCP creates some volatility in this ratio but as we have said many times in the past it has a very limited impact to the bottom line.

Investment banking had the strongest fourth-quarter in a decade generating revenues of $1.6 billion. The sequential increase was driven by strengthened advisory and seasonally robust results for underwriting.

Overall, pipelines are healthy across products. The pace of M&A remains strong and we would expect the period of activity to extend. The global equity pipeline remains robust as many issuers target capital raises in the first half of 2020 particularly across healthcare, consumer and technology. As we said before the conversion from pipeline to realize remains dependent on market condition.

In equity sales and trading we retained our leadership position and our number one globally for the sixth consecutive year. Fourth-quarter revenues were $1.9 billion down 4% sequentially. Strengths in the Americas was offset by declines in EMEA and Asia.

In cash we continued to expand our share across regions which partially offset the impact of global market volumes. Prime brokerage performed well as client activity rose during the quarter with equity markets trending higher and derivative revenues declined sequentially as lower volatility weighed on results. Fixed income sales and trading produced revenues of $1.3 billion, down 11% from a robust third quarter.

We continue to deepen our relationships with our client base. Results were driven by strong performance across the credit complex. Micro produced another solid quarter with well diversified performance. Healthy levels of client engagement supported results.

We continue to invest in our secured lending businesses which perform well and witnessed increased client interest from commercial real estate products.

Balance sheet velocity remains a focus in this business and on a full-year basis improved from the prior year. Macro results declined versus the third quarter due to lower client activity. Commodities revenues also declined sequentially. However, client activity and further geographical diversification of the revenue mix supported results. On a full year basis fixed income was up 11%. Strong performance in micro outweighed the decline in macro where a difficult environment weighed on results in FX and rates.

Turning to Wealth Management. We reported fourth quarter revenues of $4.6 billion and pre-tax profit of $1.2 billion resulting in a PBT margin for the quarter of 25.4% Strong revenues were offset by higher seasonal expenses as well as a $37 million severance charge which had an 80 basis point impact on the margin.

On a full-year basis the PBT margin was 27.2% representing a 100 basis point expansion over the last year. The business continues to illustrate the benefits of scale while investing in this business and absorbing the Solium expenses, non-compensation expenses declined 3% from 2018.

Transactional revenues were $829 million, up 39% sequentially. Results were principal driven by gains in investments associated with employee deferred compensation plans as well as improved retail engagement.

Asset management revenues were essentially flat versus the prior quarter. On a full year basis asset management revenues were also flat as a large market decline in Q4 2018 impacted first quarter results.

Total clients assets of $2.7 trillion increased 5% sequentially and 17% versus the prior year reflective of broader market movements.

Over the last several years we have seen net new assets of approximately 4% of beginning period client assets. While these flows are an indicator of the health of the business we continue to believe fee-based flows are more relevant driver of near-term results. We had $25 billion of fee-base flows in the fourth quarter; a record. The shift towards advisory continued and fee-based assets now represent 47% of total client assets, up from 45% last year.

Loan growth continues to be strong across products. Lending balances increased to $80 billion or 11% versus the prior year. We continue to see strong receptivity in our lending offering.

Our investments into technology have better enabled our advisors to identify clients who would benefit from our lending product suite. This has been especially effective in securities based lending.

We expect to continue to see strong receptivity resulting in loan growth of mid-single digits in 2020. Total deposits rose 5% sequentially. Within our bank deposit program we have seen stable deposit level since May with a seasonal uptick in the fourth quarter. We continue to invest in new banking products and our high yield savings product has also continued to gain traction. Our new money savings campaign has raised close to $14 billion since its March launch.

Net interest income was in line with last quarter. On a full-year basis NII was up slightly including the impact of prepayment amortization. Over the next year we would expect the full impact of 2019 three rate cuts, the realization of the forward curve and the continued diversification of our deposits to offset the benefit of our lending growth.

As James discussed we will continue to invest in our workplace offering and also build out our U.S. banks to drive further growth. That being said we would expect the margin to rebound nicely in Q1 from its fourth quarter seasonal low.

Investment management reported revenue of $1.4 billion in the fourth quarter. For the full year's revenues were $3.8 billion representing a $1 billion increase from the prior period.

Total AUM rose 9% to $552 billion of which long-term AUM was $356 billion. We continued to generate strong positive net flows across major high conviction active strategies. Long-term net flows were $6.7 billion the strongest in 8 years and we had another strong capital raising year capped off with the close of our $5.5 billion infrastructure 3 fund.

Asset management fees is $736 million, grew 11% versus the third quarter. Recall a significant amount of performance fees are recognized in the fourth quarter. Performance fees for the quarter were driven by strong results in our core real estate strategy and management fees increased on higher average AUM.

On a full year basis asset management fees increased 7% to $2.6 billion. Investment revenues were up $565 million in the quarter and $1 billion for the year. This line is primarily driven by carried interest which is earned from clients who are invested in private funds. The increase this quarter and year was primarily due to an underlying investment IPO subject to sales restrictions within Asia private equity fund. This event generated a significant amount of accrued interest revenue, the ultimate realization of which will depend on the monetization of the underlying position and the fund. As we have previously said this line is lumpy.

Other revenues were impacted by an impairment of a legacy equity method investment and a third party asset manager.

Total expenses increased 52% sequentially. In particular higher compensation costs are reflective of higher accrued carried interest compensation which was primarily related to the event I just discussed.

Non-compensation expenses were driven by higher BC&E expenses related to the launching of new products and reflecting our continued investment into this business. This business continues to grow and we expect it will be an increasingly meaningful contributor to total firm earnings. We continue to look for organic and inorganic opportunities to grow this business and to effectively meet the needs of our clients.

During the fourth quarter we repurchased approximately $31 million shares or $1.5 billion of common stock and our board declared a $0.35 dividend per share.

After considering $158 million and $348 million of intermittent net discrete tax benefits, our tax rates were 21.4% and 21.3% for the fourth quarter and full year respectively. We expect our 2020 tax rate to be slightly higher or approximately 22% to 23% and will exhibit some quarter-to-quarter volatility.

Take it in full we are pleased with the firm's results this year. We entered 2020 with asset levels at new highs, healthy pipelines, constructive markets, engaged clients and a right sized expense base.

With that we will now open up the line to questions.

Question-and-Answer Session

Operator

Thank you. [Operator Instructions] Our first question comes from Glenn Schorr with Evercore ISI. Your line is now.

Glenn Schorr

Hi, thanks very much. Just curious within your two-year objectives what particularly on the ROTCE what capital return assumptions are incorporated into that? Is that steady state now or any changes from what we've seen the last couple of years?

James Gorman

Well, again just from a technical standpoint says we haven't seen the new proposals which we think are forthcoming. It's sort of hard to say what the future return profile looks like other than it will be consistent with we've done prior until we have more information.

Glenn Schorr

Okay. Fair enough. On the gain in that investment management I guess IPO out of a private equity fund I'm assuming there's a standard lockup and illiquidity discount. Can you tell us what that company is, so we can track it, so we don't have surprise ups and downs every quarter?

James Gorman

I'll give you some more information on that but first I clarified there's no illiquidity discount there. The company is public and it's marked to the stock price on a daily basis. And you mentioned it is in the Asia one of our Asia PE funds. It was an investment we’ve made more than six years ago or the fund made more than six years ago into a China consumer products company. The company has been quite successful and grown quite nicely and it went public in the fourth quarter on the Hong Kong exchange and the IPO has performed quite nicely.

To give you some sort of context around the round numbers the investment that we’ve made was less than $50 million and the current investment value is approximately $2 billion. So we have not only the carried interest we also have a small LP investment in the fund and so the ownership and carry is going to be fluctuating until we have the underlying investment monetized.

So as of today we're comfortably above the preferred return threshold in that fund but as I said before it's an unrealized gain. So we'll have more volatility if there is volatility in the stock price.

So just to sum up given the size and given that it's public we would expect a little bit more volatility in that investment line and IM and we would also expect corresponding volatility in the IM compensation line as the investment team has about half of the carry typically.

Operator

Thank you. Our next question comes from Christian Bolu with Autonomous. Your line is now open.

Christian Bolu

Good morning. May be a question on wealth management. I believe you’ve recently made some changes to the comp grid that should be beneficial to wealth management margins selling next year. I think the question is longer-term, can you keep pulling the comp lever? And I guess as I look at the industry and what's happened over the last decade whether it's in a white house consolidation the demise of the broker protocol, more client stickiness because of lending and technology it feels like you can do that, but for the curiosity your thoughts on, using the grid to drive margins over time?

Jonathan Pruzan

Well, I'll take that. We're not using the grid to drive margins. We use the grid to drive behavior to help us do a better job with our clients. So most of the changes of the grid over the last decade have been designed to do exactly that. They have supported asset based accounts, they have supported working with more sophisticated complex clients. They've supported larger producers who have been growing their business.

So I don't think of the grid as an expense item. I think of the grid as frankly what really reflects what we're trying to do with the business and the best advisors embrace that and great stability among the top advisors as a result of that.

So Christian the changes this year were modest but within the changes that are under the covers there are more significant changes as you move compost effectively from one set of behaviors to another and ultimately the goal is to continue to professionalize the financial advisor workforce which is a fantastic group of people and being transformed in the last decade from producing something like 300,000 revenue go over a million revenue per person and the grids got to be aligned with their interests as well and that's something Andy and the team are very focused on.

Christian Bolu

Okay. Thanks. Maybe just to get back to the question I think Glen asked earlier on because the ROTCE target does stand out, the 15%-17%. It does catch one's eye. Can you just maybe just help clarify like what level of capital you assumed? Do you assume like the absolute dollar of capital level will go down over time and that's how you get to 15% to 17% just it would be great to get that sort of like clarification.

James Gorman

Yes. I'm probably going to disappoint you Christian and not you exactly what you'll need for your model to produce that answer. We run the business based upon a myriad of things that we see from global economic growth to market share we have in each of our businesses to the capital we're using to prosecute our earnings in those businesses, our ability to drive efficiencies across the group, net of investments that we're making and we're currently running an ROTCE around 13% and so the two-year objectives feel like there's no compelling reason why we'd go below that.

In any individual quarter of course these things bounce around as you've seen in numbers over many, many years but over that time period we think the 13 to 15 is a very reasonable expectation and assuming normal market condition we would deliver on that.

For the longer-term aspirations really speaking the way we see embedded scale we have in our various businesses what the longer-term growth projections looks like our ability to manage our expenses you will see non-comp year-over-year are essentially flat this year which [immensely] it's pretty impressive given that we are investing in lot of parts of the business.

So if you just roll the math forward and make reasonable capital assumptions you get to those ROTCE numbers of 15% to 17%. There is as always through the [seeker] on the capital process a kind of wildcard how much do you ask for? What's the stock trading at when you're doing your buy backs, do increase the dividend? Are we going to make other acquisitions or investments along the way. There are a lot of things that drive the longer term, but what we're trying to set when we set longer term is what do we believe the potential for this business is?

Many many years ago when our wealth management margins were around 10% or 11%, we set a target of 15% and I said publicly, I thought I could get 20% and obviously we exceeded that and the whole transformation business helped on that.

Many years ago we set our ROE target of 10% when I think our ROE was around 2% or 4% and we were constantly asked on this call when are you going to get there like, the kids in the back seat in the car saying when are we going to get there, when are we going to get there and we kind of got there and our feeling now is there's no compelling reason with normal economic growth and good discipline around expense management and the embedded scale in their businesses and the strength of the culture why these return shouldn't be achievable over a longer term period.

Operator

Thank you. Our next question comes from Brennan Hawken with UBS. Your line is now open.

Brennan Hawken

Good morning. Thanks for taking the question. Question on the pre-tax margin target here in wealth over the next two years. Good to see, you guys expect a nice step up. Could you talk a little about the market and revenue assumptions embedded within that target and at this point you guys seemed to have implied generally, especially with your comments just a minute ago James that about non-comp, flattening out here in 2019, we should be expecting self-funding of an investment and a more stability in the non-comp as opposed to the growth of prior years. Is that fair?

Jonathan Pruzan

There's a couple of questions in there. I think when we think about our budgets we generally use conservative consensus views on markets and rates and that's what we've done here. The 28% to 30% margin target as you said is a nice improvement and continues to trend. It also gives us the flexibility to continue to invest in this business which we will continue to do around our Shareworks platform in the Morgan Stanley at work. We've done a lot of work around the digitalization which James talked about which is critically important to the customer experience and the client experience and will continue to make investments there. And so I don't think there's any outsized expectations around markets or rates just what we see in the consensus you going forward.

James Gorman

I think Brennan, I think that we've finished the year at [27.2] obviously fourth quarter and somebody probably ask us about itself address a write-up was 25 and change some seasonality. We had some severance expenses in there, DCP and other stuff. So as I said before these things will bounce around quarter-to-quarter. I can't guarantee where the first quarter is going to be, the second quarter, third quarter but over a full year where [27.2] with normal economic growth what we've done with the business I think that 28% I've been disappointed if we know that that I just put that out there.

It can be higher than that. That's why we put a range on it. Do we think it's going to be over 30% the next two years? No we do not. And I think we've got to be responsible when we set these targets about what we think is a likely outcome not a three standard deviation outcome. What is the likely outcome and coming off a 27.2 margin 26.2, I think the year before approximately 25, it's kind of grinding high. Why is it grinding high? Well, as you bring incremental revenues in the incremental margin on the incremental dollar revenue is higher than the embedded margin. So will grind higher.

Brennan Hawken

Sure. That makes a lot of sense. Clearly, Solium should also, the Solium acquisition and integration should also up to, appreciate that. I think you made reference James in those comments too what the underlying margin might have been in the fourth quarter. I know I think John you said 80 basis points from severance and wealth. So that gets you to 27.

There was some DCP but I don't think you talked about what impact that would have had on the wealth management margin. If you could please let us know that and just a request maybe I know it doesn't impact the bottom line but the DCP creates some noise around some of the underlying metrics which makes it, it can bore investor visibility into the underlying trends. It'd be really helpful if you could disclose that or consider disclosing that going forward?

Jonathan Pruzan

Yes. So just I appreciate the comment and we continue to give further thought to that but we do give a reasonable amount of disclosure in the [indiscernible] around that we try to highlight it to you when it's a meaningful contributor based on meaningful swings in the marketplace across all the businesses as I said before the PBT impact is not material generally speaking a dollar revenue versus a dollar of comp expense.

Your fourth quarter comment though we generated 25.4 I think you said with the 80 basis points we'd be at 27 obviously we'd be a 26.2 and then by definition when you look at all of these ratios they are negatively impacted by that dynamic is effectively one for one. It's not precise but that's what we simplify have been using and again appreciate the comment and we'll give it some thought but we obviously feel very comfortable with the new targets that we laid out at 28 to 30 on that margin.

James Gorman

Brennan you make a good point. It creates noise, I mean I remember the old days when we used to have to deal with DBA on these calls which should move I think one year moved $6 billion and the sort of bizarre impact it had on our financials. Fortunately, we’ve got we managed to clean that up. The DCP, I mean the funny thing is it's kind of a good news story. You actually want it to be messing with the numbers like this in a positive way because it means the stock has done well which people invested in and the markets are doing well. This was here where what was the S&P was up 25 and the stock was up 28%-29 %. So pretty unusual year and that's why I think we're seeing the outsized on this year. I wouldn't, I mean listen if that happens in 2020 I'll be delighted and I don't mind the noise if we get that outcome but I'll leave it to the accounting and controlling team to figure out what the right disclosures are but that's where we are.

Operator

Thank you. Our next question comes from Steven Chubak with Wolfe Research. Your line is now open.

Steven Chubak

Hi, good morning.

James Gorman

Good morning.

Steven Chubak

So appreciated some of the additional disclosure on the wealth management conversion targets from Shareworks. Certainly that's an area where there is significant interest post a Solium deal. I recognize it's a 5 to 7 year goal. So you certainly have a lot of time to execute on that conversion target. I was just hoping that you can maybe help us frame how we can think about either the incremental revenue or even just AUM growth opportunity over that horizon, if you ultimately execute on that goal and just separately do you expect the pace of on-boarding to be somewhat linear or is it going to be more back-end loaded?

Jonathan Pruzan

Let me try to answer that. I mean a couple of things. One first of all we had Solium was only in our results for 8 months this year. I think we mentioned before that it was diluted to PBT. So obviously diluted to margin. We will have the full effect of the acquisition this year which will also be diluted to margin and to PBT and then we would expect it to turn potentially PBT neutral or positive and then to build over time and improve the margin.

The conversions are those several stages as James mentioned there's just making sure that we get all of the corporate clients onto the Shareworks platform that's accelerating. That should be done this year and then integrating it into the Morgan Stanley at work platform will take another year. I think we'll see sort of an acceleration a slow build if you will of converting our Morgan Stanley at work clients into either the digital or advisory channel but we think a million incremental customers on our current base would be quite attractive and a real nice growth engine.

Obviously, the potential for the different dynamics around the size of that client i.e. was whether it's mass affluent versus ultra high-net-worth or high net-worth will have an impact, the asset levels and cash levels and net new assets but again incrementally if we think we can bring on another million customers in five to seven years on top of our current existing base, it's why we're so excited about the opportunity.

Steven Chubak

Got it and just one follow-up for me. I was hoping you could speak to some of the underlying assumptions just specifically on the macro and maybe industry fee pool outlooks particularly on trading and IB just supporting some of the near and long-term return objectives?

Jonathan Pruzan

I'm sorry. Trading, what did you say?

Steven Chubak

Trading and investment banking people as well as just some of the underlying macro assumptions underlying some of the return targets.

Jonathan Pruzan

Yes. Again, so I think that we will obviously have to see where the pools come out this year when everyone finishes reporting and we get the data. It looks like the pools are pretty stable. I think from a budgeting standpoint we generally think about those types of pools growing with sort of GDP. So sort of very limited or sort of a couple of percentage point type growth in the pool and then we couple that with our view on investment dollars and share and share points. So that's generally the macro backdrop that we use for the budgeting which will obviously track consensus views on GDP and U.S. growth and so on and so forth.

James Gorman

Now just to add I mean we don't talk ironically as much about the institutional securities business which is sort of been at core and our lineage since our founding 85 years ago but in each of that we have a slide in there that shows in each of the five businesses debt underwriting, equity underwriting, advisory M&A equities and fixed income they were able to gain share over that five-year period and this year they delivered their fourth consecutive $5 billion revenue quarter and we've never had a year where we've had for $4 billion, $5 billion I mean what this business has been characterized by at least one and sometimes two pretty volatile and difficult quarters each year.

Now we can't and it's obviously more vulnerable to market swings but I think what the team has done in balancing out the business, [trading] group have made it a much more stable organization I think within fixed income the way that's been turned around with stability to Sam and his team. I see it gives us more comfort that we've got a lot more stability embedded in the business from prime brokerage financing through to the M&A which remains very stable. Obviously, you're going to have volatility but we think these shares are sustainable. Some places we could grow share but it's really a function of stability is what I'm very focused on for this business because the capital on the balance sheet shall we say is stable. It stays there. So we need the revenues to be stable and that's what they delivered.

Operator

Thank you. Our next question comes from Mike Mayo with Wells Fargo. Your line is now open.

Mike Mayo

Hi.

James Gorman

Good morning.

Mike Mayo

I'm wondering if your minimum targets are high enough? Slide 7 through 11 highlight what you expect institutional security, the five-year share gain should continue, wealth management increase clients share by one-third, of the over longer time frame and that's management have new products you have digital initiatives non-comps flat. It's all going well and report a 13% ROTCE last year and you're look for a minimum ROTCE of 13%. So why not raise that minimum [indiscernible]?

James Gorman

Mike we now go back a long way and I'd have to say you're a model of consistency. I think I'm not sure we've ever had a call when you haven't asked for higher targets and it had to feel defensive when we're talking about wealth management margins above 28% efficiencies at 70% plus and ROTCE at 13% to 15%.

Listen our job is to be as transparent and realistic as we can. These targets have one significant caveat which is the markets. If the world collapses they will be very difficult to meet and we will not be the only financial institution struggling with meeting whatever public targets they have out there. We don't run this piece on the basis the world is about to collapse and we have no evidence that 2020 is going to be a difficult economic year, difficult politically potentially geopolitically but certainly the economic outlook remains very, very stable.

So when we do the math and put the targets together we do it based upon a balance between what is that downside in a normal scenario and what is a realistic upside of the near-term. Longer-term that's great. That's sort of it's fun and it's interesting and it's sort of saying what could we deliver aspirationally and that's probably where your head is in the longer term part of that chart the right hand side but in terms of running the business and in terms of thinking to our capital deployment and dividend strategy, compensation all of our investments that we're making we really focus frankly on the two-year objectives and what I've always tried to do with these target is set a range where the bottom of the range is what we should be able to deliver in all normal circumstances.

The top of the range is obviously a little more sporty. So listen, I would love for us to deliver on your more aspirational views each year but we can't reliably project that. So I don't think we should reliably project it and if a few folks want to model in different numbers that's obviously your decisions but we've got to do what we think is right.

Mike Mayo

And just to follow up slide 7 and 8 one is the expectation to continue to gain share. I get the share gained from the European banks but your expectation for that to continue and then on the wealth management side going to the mass affluent, you're going down market to the teeth of the Schwab's zero commission for wealth and after a number of years of kind of moving back from the lower end clients. So just if you could address those two specific areas? Thanks.

James Gorman

Yes. Well, I think the way we use for sustainable share we certainly don't see our share going backwards in these businesses and there is clearly and different parts of the institutional business we think we can gain share in certain regions in the world where we're looking forward to getting our full China license there and continue to grow out our Asia presence for example. So I feel good about these share numbers. You point out there are different parts of the industry that are going through larger transitions now but kinds of things we were doing several years ago. So there is potential share upside. No question about that. We can't model that because that would be that would be pretty aggressive but you can certainly, we certainly affirmed they share we have now with us is stable.

Normal market environment growth that obviously translates into higher revenues and we think there's some upside on share. On the going down market I think about differently and for sure commission pricing has been going to zero in small trades for a long time and there have been examples of that in the digital space for years. I think the move that Schwab made just accelerated what was something that had been happening for a long time and their business models are not built around their secondary commission revenues. That you and I understand. I don't think about this so much is going down market. I think it is about it is opening up a new segment to Morgan Stanley.

There are basically three ways in which people have their wealth managed, one is through some sort of a advice whether it's full-service private bank, trust bank, independent financial planner, financial advisors and so on and we're very dominant in that space.

The second is direct digital and there are a whole set of new platforms but there are some very established at scale players in that space and the third is the workplace and the workplace remains, there are certain players who have been very dominant in it but we think this is also a very interesting space.

Solium gave us a leg into it. We see a lot of financial wellness, financial base, financial planning that can be brought to employees if they're into a default digital account when their stock plans are best for example. That's sort of that's relatively easy for us to drive on a digital and direct platform.

So I see it less sort of characterization is going down market and more characterization it's just expanding the universe of clients. There are a lot of people out there working companies making good money through these share plans. They do not want or need one of our large financial advisor teams. That's for sure. But that doesn't mean they can't have access to what Morgan Stanley can deliver.

Operator

Thank you. Our next question comes from Matt O'Connor with Deutsche Bank. Your line is now open.

Matt O'Connor

Good morning. I realize you don't want to give all the details on the expense of adjustments related the deferred comp but I guess I'm trying to get a sense of the kind of full-year efficiency ratio of 73 as I think about kind of getting the 70-72. It would be helpful if you give us kind of the clean base for this year either now or I guess it's probably coming the K but it would be helpful just to get that base and I guess my question is if you don't do that really just as we think about the efficiency improvement, can you just elaborate a bit on the drivers? Obviously, it's a little bit of revenue growth as you talked about a little bit of growth and [wallet] and from the efforts to wealth but just maybe elaborate on is there opportunity to bring the comp rate down and on the non-comp is it about keeping it flat or there's some opportunities to cut on an absolute basis. Thank you.

Jonathan Pruzan

So I think I've given the comment and we've given the comments and we hear you on the DCP, so I'm just going to focus you can see from our targets that we've lowered the efficiency ratio.

We had a little bit of severance in there and again the DCP adjustment would also impact that ratio slightly but I think when we think about expenses and expense discipline we're talking about expense discipline across all categories of expenses both comp and non-comp.

We allocate resources at the firm level which is why we have a firm efficiency ratio target. Some of these ratios get a lot of attention to them when they are if you think about the comp ratio with an ISG that's only 40% or less than 40% of our comp versus the totality of the firm.

We constantly have been focused on being disciplined on comp and non-comp. What we will say is that we have been disciplined on comp. The only thing is that we continue to try to do and we have done quite successfully is to pay our people competitively across all of our businesses as we try to attract and retain talent but we're disciplined across all those categories when we get to the non-comps we've been very focused on professional services as we've grown our businesses and we've grown some of the digital and technology and digitalization of the firm as well as complying with the regulatory agenda, we’ve relied on sort of contingent workers and consultants to help us build out this practice and as all of that has matured and turn more into BAU we've been able to rely more efficiently on employees which is why you've seen the headcount grow even after the December action and so we've been able to take out some expenses there and optimize the workforce.

I mentioned vendor consolidation. We've done data consolidation in the past. So we're constantly looking for opportunities in the non-comp space to continue to self fund and drive efficiencies and those types of categories are the ones that I would say that we'll continue to focus on in the future and we have finally seen some productivity gains around the significant investments that we’ve made in technology and digital and that's led to some of the actions we've taken as well.

James Gorman

I would just say something about the comp ratio and I think it's important to say it. Years ago when we started on this journey the ISG comp ratio was

62% I think if memory serves me and wealth management I forgot what is but it was well in the 60s and we had a long term aspiration gate I think wealth management down to 55-57 and ultimately ISG to 40.

The last time we publicly set a comp ratio goal for ISG I think was in 2015 which was 37% and we've managed in the last three or four years to be under that, sometimes 34%. This past year was a little higher and we had some stuff going on as we've talked about but we also have started moving. We've had a lot of contractors and contingents around the world working for us tens of thousands actually and we've decided as part of our restructuring off-shoring we've moved some of those folks in as permanent employees and more stability with that we have heard a lot of reasons I don't need to go under this call that then becomes part of the comp pool.

So I don't want to be tied to a comp ratio when we really managing the firm for overall expenses. That's what we're going to manage for and there's a reason you're not seeing you comp ratios in these numbers but you're seeing pretty aggressive efficiency ratio. We want the ability and manage the firm for shareholders on best basis and that's to have the best people working most efficiently.

So you will not see, you're never going to see comp ratios in the 40% in ISG and that's it we're not going to do that but we just want to maintain flexibility to run the business and not do goofy stuff like not make contingents employees because we're worried it'll affect the comp ratio when in fact it brings down the non-comp ratio. So that's we're going to run the business on that basis and we've been doing that for a couple of years but I just want to be explicit about it.

Matt O'Connor

Okay. It's helpful color. Thank you.

Operator

Thank you. Our next question comes from Mike Carrier with Bank of America. Your line is now open.

Mike Carrier

Good morning. Just a quick one for me. Just an investment management. So you guys have done well from product development, I mean kind of growing that business. It does seem like on the private side, it's more of your assets. We can see it in the performance fees, in the carried interest. I don't know if you can quantify maybe how much of the AUM now you have the potential to generate your carrier performance fees? It's just something that's obviously hard to model but you also probably don't get much credit for it because we don't have kind of the magnitude of that. So any more clarity around that would be useful.

Jonathan Pruzan

I would again the different categories that we break out obviously the alternatives generally are where we're going to have carried interest or performance fees. We try to give you some more information on that in the second, you know again it's hard to model because as we said there's some lumpiness to it, but we've had some really good performance across all of the strategies within IM.

We've also seen stable fee rates across the platform. So as AUM has grown we've seen that fee base revenue number grow as again a year-over-year comparison that was up 7% which is quite healthy in this industry given what you're seeing across the complex. So again we've tried to give you the information to do it but as even with perfect information these things are very difficult to project and model out.

Mike Carrier

Okay. Thanks a lot.

Operator

Thank you. Our next question comes from Gerard Cassidy with RBC Capital Markets. Your line is now open.

Unidentified Analyst

Hi guys this is a [Stephen Dong] is in for Gerard. Are there any products – product areas within your businesses that you'd like to compliment with acquisitions?

James Gorman

I don't think. I don't know that we can really talk about products and acquisitions. I mean there most of the product gaps we have we try and fill organically. Acquisitions we tend to do for broader strategic reasons either build scale and business open up a new vertical expand geographically really would we do a significant acquisition or even a small acquisition on a pure product. It's more platform or a business unit. So I think the short answer is no.

Unidentified Analyst

I understood. And just last question. We appreciate your targets for the next couple of years recognizing that you guys have changed considerably since the last time we've had a sustained bear market. Can you share with us the tools that you'd use to mitigate revenue shortfalls that are likely in a bear market to try to help reach these goals should a bear market occur the next two or three years?

James Gorman

Expenses. I mean basically that's your tool, right? Good news is with the bear market your stocks low, you're buying back more shares, your EPS is growing because your shakeouts down a shakeout peaked at about 2 billion and we're around 1.6 now. So we bought back nearly I think nearly 100 million net shares last year when the stock was trading around 38 a couple of months ago. So that was a little gift that God gave us.

So I think it's just very hard to fight the market if you're in a sustainable bear market you got to restructure your organization to reflect that. You become smaller, more nimble and more efficient and we and all our competitors would have to go through that. You can't plan the business based upon a bear market obviously. You got to plan the business based upon a normal market not a bull market and that's where we set our goals from but as I've been very clear and I'll finish on this note these goals are always subject to a normal market environment. If we have an abnormal market environment one way or the other then the numbers will be what they'll be but they probably won't be what's on this page.