

Morgan Stanley

Alternative Investments

Innovative Strategies for Asset Allocation



A Culture of Investment Excellence

With a unique combination of resources and capabilities, Morgan Stanley offers quality advice and distinctive investment opportunities. We apply innovative strategies, guidance from among the best minds in the industry and rigorous due diligence to help you select the most appropriate alternative investments.

Morgan Stanley has more than **\$55 billion**¹ of client assets invested across approximately 200 alternative investment funds.

We provide exclusive access² to products that may otherwise only be available to institutional investors, tailored to suit a variety of client situations and needs.

¹ As of June 30, 2015.

² Exclusivity varies from fund to fund and may not be representative in each product offering.

Introducing Morgan Stanley Alternative Investments

Morgan Stanley launched its alternative investment business in 1977 with the founding of Morgan Stanley Real Estate and Morgan Stanley Managed Futures. Today, the firm is a global leader in alternative investments, offering a comprehensive suite of products that encompasses both proprietary and third-party managers.

We put our alternative investment expertise to work for you, with:

MORE THAN 150 PROFESSIONALS DEDICATED TO ALTERNATIVE INVESTMENTS, including a team of alternative investments due diligence professionals with extensive industry and product experience.¹

THOUGHT LEADERSHIP led by the Morgan Stanley Wealth Management Global Investment Committee, a group of seasoned investment professionals who meet regularly to discuss the global economy and markets. The committee determines the investment outlook that guides the firm's asset allocation advice to clients.

ACCESS TO INSIGHTS AND EXTENSIVE DUE DILIGENCE by Morgan Stanley Alternative Investment Partners and the Global Investment Manager Analysis teams.

¹ As of April 2015.

**Morgan Stanley
Alternative
Investments Group
Product Offerings**

**Private
Equity**

**Fund
of Hedge
Funds**

**Single
Manager
Hedge Funds**

**Managed
Futures**

**Real
Estate**

**Exchange
Funds**

Why Alternative Investments?

Incorporating alternative investments into a traditional portfolio may help you to reduce overall volatility while increasing portfolio diversification,¹ all with a typically lower correlation to the market movements of traditional investments such as stocks and bonds.

Alternative investments often exhibit these principal characteristics:

- Diversification across different markets, strategies, managers and styles
- Historically low to moderate correlation of returns to traditional investments²
- Help reduce overall portfolio volatility within a portfolio of traditional investments
- Potential to provide attractive risk-adjusted returns
- Increased investment flexibility

¹ Diversification does not assure a profit or protect against loss in a declining market.

² Past correlations do not guarantee future correlations. Real results may vary.

Alternative Investments

- Absolute performance objective³
- May use leverage
- Performance dependent primarily on the alternative investment manager's skill
- Historically low to moderate correlation with market indexes²
- Typically have reduced liquidity ranging from monthly to 12+ year lockups
- Generally higher fees, which may include performance fees⁴

³ There is no guarantee that these objectives will be met.

⁴ Generally includes fees such as management and performance fees for professional management. Please see the Appendix for risk considerations.

VS.

Traditional Investments

- Relative performance objective³
- Limited or no leverage
- Performance dependent primarily on market returns
- Historically high correlation with market indexes²
- Typically offer daily liquidity
- No performance fees, but may include fixed fees for professional management

Alternative Investments Performance Compared to Stock Performance

This graph displays what would have happened to a hypothetical \$1,000 investment in each respective index, illustrating historical performance and low correlation of the single manager hedge funds, fund of hedge funds, private equity, managed futures and real estate industries to US stocks over time.

Data: January 1, 2001, through December 31, 2014, for all indexes, except for the PrEQIn All Private Equity and Real Estate indexes, which are through June 30, 2014 due to data availability. Private equity represented by the PrEQIn All Private Equity Index; real estate represented by the PrEQIn Real Estate Index; single manager hedge funds represented by the HFRI Fund Weighted Composite Index; managed futures represented by the Barclay CTA Index; US stocks represented by the S&P 500 Index; fund of hedge funds represented by the HFRI Fund of Funds Composite Index. Past performance is no guarantee of future results. Index results are shown for illustrative purposes only and do not represent the performance of any specific investment. Index returns reflect reinvestment of any dividends and capital gains, but do not reflect any fees or charges, which would lower performance. The indexes are unmanaged and an investor cannot invest directly in an index.

See the Appendix for important information about the indexes.

\$3,500

3,000

2,500

2,000

1,500

1,000

500

0

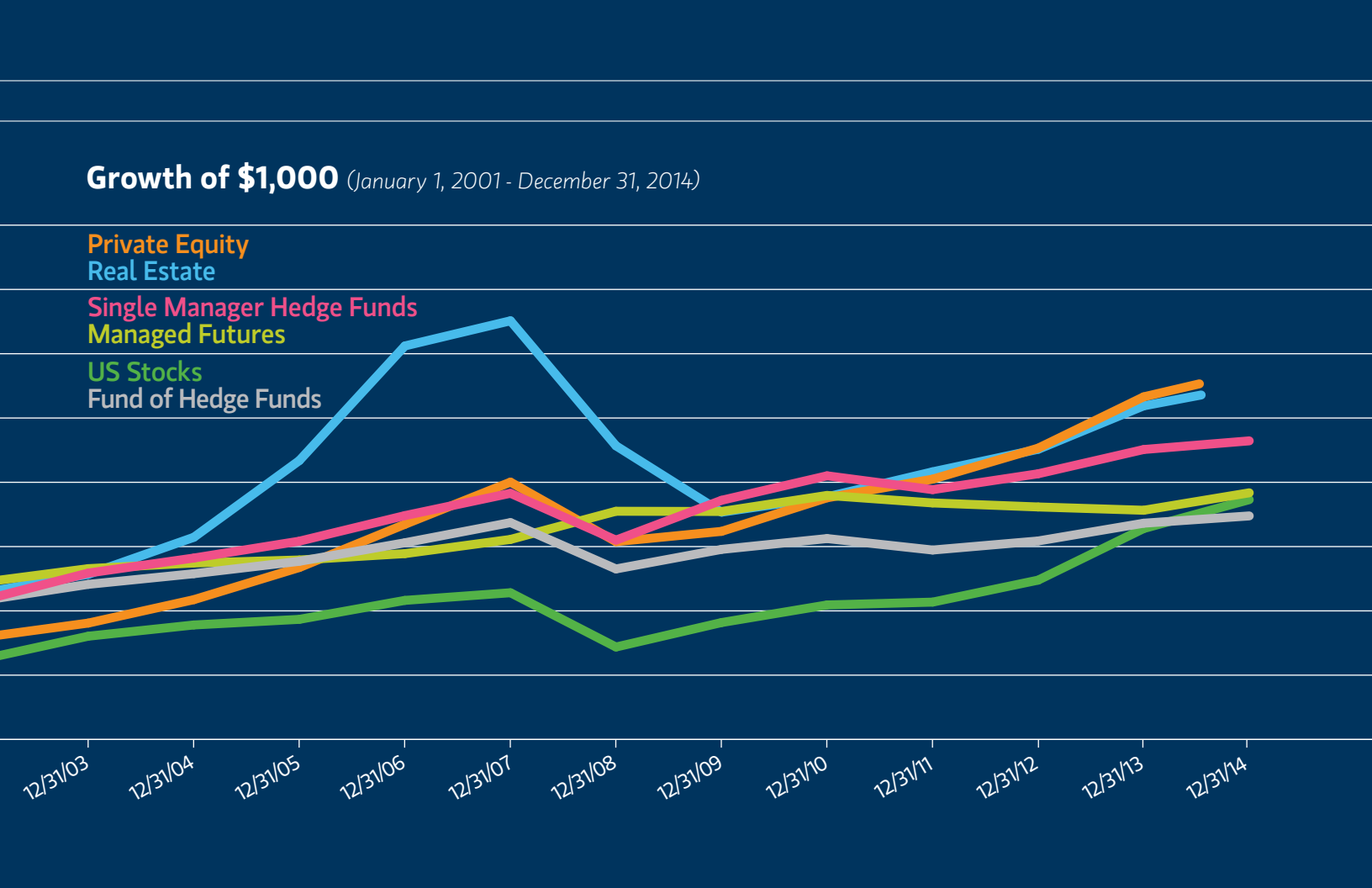
01/01/01

12/31/01

12/31/02

Growth of \$1,000 (January 1, 2001 - December 31, 2014)

- Private Equity
- Real Estate
- Single Manager Hedge Funds
- Managed Futures
- US Stocks
- Fund of Hedge Funds



Morgan Stanley Alternative Investments Platform

The Morgan Stanley Alternative Investments Group includes teams dedicated to manager due diligence, product management, sales and investor relations. On our open architecture platform, we offer an array of proprietary and third-party alternative investment strategies, with:

- A selection of approximately 200 funds from some of the preeminent alternative asset managers in the industry
- Exclusive fund opportunities that may otherwise be available only to institutional investors
- Institutional level pricing
- Lower investment minimums

Information as of June 30, 2015.

Investment Offering

SINGLE MANAGER HEDGE FUNDS	HedgePremier
	Hedge Fund Solutions
	HedgeDirect
FUND OF HEDGE FUNDS (FoHFs)	Registered/Private FoHFs
	Custom FoHFs
	Managed Futures
	Private Equity
	Real Estate
	Exchange Funds

Key Statistics by Product				
Description		Assets Under Management	Investment Minimum	Number of Open Funds
	Offers access to industry-leading proprietary and third-party funds at lower investment minimums	~\$4B	\$100K per fund	~25
	Offers access to world class funds either on a direct basis or through a custom portfolio	~\$4B	\$1M+	~60
	Offers direct access to top third-party fund investing on a placement and advisory basis	~\$4B	\$250K+	~10
	Offers direct access to leading proprietary and third-party fund of funds	~\$13B	\$50K (registered) \$100K-\$5M (unregistered)	~60
	Offers access to various custom strategies across multiple asset classes, tailored to investor needs	~\$5B	\$25M+	~10
	Offers access to top-tier commodity traders	~\$4B	\$25K	~13
	Offers access to the world's leading proprietary and third-party private equity managers	~\$16B	\$250K+	~10
	Offers access to top proprietary and third-party real estate fund managers	~\$5B	\$250K+	~3
	Offers access to leading third-party exchange fund managers	~\$2B	\$500K+	~3

Comprehensive Manager Due Diligence

The Global Investment Manager Analysis team works with Alternative Investment Partners to conduct initial and ongoing due diligence. Whether you're considering an investment in hedge funds, fund of hedge funds, private equity funds, managed futures funds, real estate funds or other special-opportunity investments that are approved for distribution on the Wealth Management platform,¹ you can have confidence in the rigorous due diligence process our teams employ.

Investment Due Diligence

Evaluation and monitoring of alternative investment managers and funds

Onsite due diligence meetings are conducted initially, and for private placement open-ended funds,² every 12 to 24 months

Funds are reviewed quarterly

Fund of hedge funds manager profiles are issued on a quarterly and rolling 18-month basis

Operational Due Diligence

Evaluation of non-investment risk inherent in the alternative investment fund business

Onsite due diligence meetings are conducted initially, and for private placement open-ended funds,² every 12 to 24 months

Manager and fund documentation is reviewed, and a conference call with funds' vendors is conducted, if applicable

Initial background checks are completed and media is monitored

¹ Morgan Stanley affiliate Alternative Investment Partners provides due diligence on most third-party single manager hedge funds. In limited instances, third parties provide due diligence.

² Private placement open-ended funds are funds that enable redemption from the funds for the investor at specific time intervals.

Strengths of Morgan Stanley Due Diligence



Quantitative and Qualitative Analyses

- Historical performance metrics
- Statistical measures
- Peer group comparisons
- Onsite visits with managers



Operation Review

- Evaluate business risk
- Infrastructure
- Compliance & controls
- Business continuity
- Quality of third-party providers



Approval of New Funds

- Due diligence professionals review each proposed vehicle
- All funds are reviewed by Wealth Management committees responsible for approving new products



Ongoing Investment Monitoring

- Manager analysts monitor funds over time for performance, risk consistency, style drift and other key attributes



Ongoing Operation Monitoring

- Manager analysts monitor fund managers periodically for changes in operational infrastructure, controls, personnel, service providers and other functional characteristics

Alternative Investments for Strategic Diversification

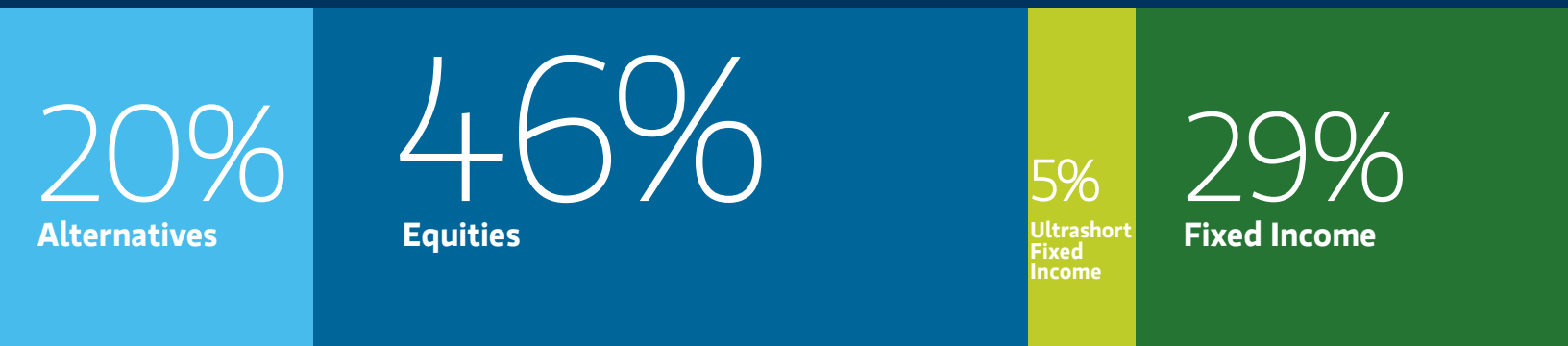
The Morgan Stanley Wealth Management Global Investment Committee meets regularly to assess markets and the global economy. The committee continually monitors developing economic and market conditions, reviews tactical outlooks and recommends model portfolio weightings. Based on their analysis, they select the investment outlook that helps guide our asset allocation advice to clients. Depending on an investor's risk tolerance and net worth, the committee may recommend including an alternative investment allocation as part of an asset diversification strategy.

¹As of August 14, 2015. Strategic asset allocation models depicted on the right are based on Model 3, known as the Balanced Growth Model, which has a moderate risk/return profile. Please note there are five asset allocation models ranging from conservative to aggressive (Capital Preservation, Income, Balanced Growth, Market Growth and Opportunistic Growth). The asset allocation models are subject to change from time to time. Please ask your Financial Advisor or Private Wealth Advisor for the most current allocation models. The GIC defines alternative investments as the following: REITS, Commodities, Master Limited Partnerships, Hedged Strategies (which include Traditional and 40 Act Alternative Investments including: Hedge Funds, Fund of Funds, Alternative Mutual Funds), Managed Futures, Private Real Estate and Private Equity. For illustrative purposes only. This does not represent individually tailored investment advice. Actual client portfolio will vary based on individual circumstances.

<\$25M
in Investable Assets

>\$25M
in Investable Assets

Global Investment Committee Strategic Asset Allocations¹



Alternative Investments Eligibility

Alternative investments are offered only to qualified investors. Client eligibility to purchase alternative investments is typically based on the client's net worth, as shown in the chart below.

Client Net Worth¹ Minimums



Fund Platforms

- Approximately 200 fund offerings are available
- Pricing is flexible, with placement and advisory pricing options

¹ Net Worth: An individual's or entity's (e.g., a trust's) net worth is determined by adding up the value of assets owned (e.g., securities, personal property, real estate other than primary residence), and then subtracting liabilities, or what the client owes in loans and other obligations (excluding any mortgage on a primary residence). Clients should include the value of assets in IRAs, 401(k)s or other similar tax-qualified accounts. Clients should exclude the value of their primary residence.

Alternative Investment Types

To complement traditional investment portfolios, Morgan Stanley Alternative Investments Group provides qualified investors with access to these alternative asset classes:

Real Estate

Private investments in real estate through single manager or fund of funds investment vehicles that may offer diversification and risk-adjusted returns, while potentially serving as a hedge against inflation.

Exchange Funds

Private placement vehicles that may offer the potential for greater diversification, typically comprising equities and other qualifying assets, such as real estate.

Managed Futures

Professionally managed investments in global currencies, interest rates, equities, metals, energy and agricultural markets directed by a professional trading manager known as a Commodity Trading Advisor.

Single Manager Hedge Funds

Professionally managed investment funds that use sophisticated strategies to potentially offset losses during a market downturn, often seeking to generate returns higher than traditional stock and bond investments.

Fund of Hedge Funds

Professionally managed portfolio of individual hedge funds or other alternative investments that may offer diversification across managers, strategies, styles and/or sectors.

Private Equity

Unique investment opportunities in privately held companies through single manager or fund of funds investment vehicles that may offer diversification and attractive long-term return potential.

Single Manager Hedge Funds

Hedge funds offer investment flexibility and portfolio diversification through the use of trading strategies such as short selling, options and other derivative instruments, as well as hedging techniques and the use of leverage.

A single manager hedge fund typically seeks absolute returns that are not tied to a specific index. While hedge funds primarily invest in publicly traded securities, hedge fund managers may also use a variety of strategies in an effort to enhance returns.

Characteristics

Ability to be opportunistic in changing market environments, as managers can exercise judgment without most traditional constraints

Assets traded may include equity, fixed income, foreign exchange and derivative instruments

Typically employ sophisticated trading strategies with the objective of enhancing returns and reducing risks in rising and falling markets¹

¹ Increased flexibility for the manager may increase risks to the investor.

Offerings

HEDGEPREMIER allows you to invest in single manager hedge funds at lower investment minimums. We employ a rigorous process to identify, evaluate and select each fund on our platform. This helps us ensure that our clients are introduced only to fund managers whom we believe to be among the best in the industry.

DIRECT THIRD-PARTY HEDGE FUND INVESTING is available to qualified investors, primarily on an advisory basis. Registered and private placement vehicles can serve to diversify your existing portfolio and help enhance returns. These investments may have higher investment minimums than HedgePremier.

CUSTOMIZED HEDGE FUND STRATEGIES are available to ultra high net worth individuals and institutions (minimum \$125 million net worth). Experienced professionals work closely with you to understand your unique needs, and select managers and strategies to complement your overall investment portfolio and help you achieve your goals. Minimum investment requirements for customized portfolios can be \$25 million or more.

HedgePremier Platform

Description

Choose from a variety of single manager hedge funds that have been evaluated via Morgan Stanley's comprehensive due diligence process

- Access to managers that typically have high minimums
- Approximately 25 funds available on the platform¹

Management and Due Diligence

Investment Advisors chosen by Morgan Stanley Alternative Investments Group and rigorous due diligence performed by Morgan Stanley Alternative Investment Partners

Eligibility

Accredited Investor and Qualified Purchaser (generally \$5M+ net investment assets for an individual; \$25M+ for an entity)

Minimum Investment

- \$100K per each single manager HedgePremier fund

¹As of June 30, 2015.

Fund of Hedge Funds

Each fund of hedge funds offers a distinct strategy that can help you diversify your overall portfolio while seeking risk-adjusted and absolute returns in any market environment.

A fund of hedge funds simplifies the process of investing in more than one hedge fund. Each fund of hedge funds incorporates multiple individual hedge fund managers, letting you broaden your exposure to multiple asset classes and strategies with a single investment.

Characteristics

Diversification across different strategies, managers and investment styles

Low correlation with traditional securities markets

Professional management and portfolio construction

Rigorous due diligence and ongoing monitoring

Offerings

Morgan Stanley offers several fund of hedge funds choices:

REGISTERED FUND OF HEDGE FUNDS

- Most provide a 1099 for tax reporting purposes
- Required to periodically report underlying positions to the SEC, which are published and available to the public

- Simplified offering process and enhanced investor transparency
- Eligibility: \$1M in net investment assets for an individual, \$5M for an entity; \$50K minimum investment

PRIVATE FUND OF HEDGE FUNDS

- Can incorporate sophisticated trading strategies not available in traditional funds
- May offer access to private investment funds that have been historically limited to high net worth and institutional investors
- Provides a K-1 for tax reporting purposes
- Eligibility: \$5M in net investment assets for an individual, \$25M for an entity; \$100K+ minimum investment

CUSTOMIZED FUND OF HEDGE FUND STRATEGIES

- Customized approach available to ultra high net worth investors on a discretionary basis (minimum \$100 million net worth)
- A fund of hedge funds portfolio is designed to meet your specific objectives, time frame and risk tolerance
- Minimum investment: \$25M+

Private Equity

Private equity funds offer investment opportunities, generally in nonpublic companies, that are not available through traditional public markets.

Unlike the stocks of publicly owned companies, private equity is not subject to day-to-day market fluctuations. As a result, private equity managers can invest the capital that you provide with a longer-term time frame that offers the potential to ride out difficult markets, build revenues and exit the investment via strategic sale or initial public offering at a more advantageous time.

Characteristics

Investment types include primary investments, funds of private equity funds, secondary opportunities and co-investment opportunities

Investment strategies include venture capital, growth equity, buyouts, mezzanine financing and distressed/special situations

Offerings

Morgan Stanley offers access to private equity investments through:

ALTERNATIVE INVESTMENT PARTNERS

- Morgan Stanley proprietary fund managers focus

on small and mid-sized funds with differentiated strategies and sustainable advantages, while leveraging Morgan Stanley's global resources for sourcing, access and due diligence¹

MORGAN STANLEY MERCHANT BANK

- Offers a range of private equity investment products and strategies in four main focus areas: global private equity funds, Asia private equity funds, infrastructure and mezzanine lending

THIRD-PARTY MANAGERS

- Access to some of the world's leading private equity managers that seek to create value and exit profitably, often by taking an active role in a company's management

Eligibility and Minimum Investment

- Qualified Purchaser: \$5M in net investment assets for an individual; \$25M for an entity (up to 20x investment amount)
- Minimum investment: Typically \$250K+

¹ Subject to third-party confidentiality agreement obligations and information barriers established by Morgan Stanley to manage potential conflicts of interest and applicable allocation policies.

Managed Futures

Managed futures funds offer you the potential for global market exposure in a single investment through professional portfolio management.

Managed futures are limited liability investment vehicles that trade futures, forwards and options, across a wide variety of markets. Assets are allocated to professional trading managers called Commodity Trading Advisors, who manage customer money in the futures, forwards and options markets. Commodity Trading Advisors use tested trading methods and money management techniques as they attempt to achieve profits while managing risk.

Historically, managed futures have tended to perform relatively well in uncertain markets, or when equities and fixed income experience sustained periods of difficult performance. This makes managed futures an investment to consider for increasing portfolio diversification.

Characteristics

100% transparency to the general partner

Liquidity; monthly subscriptions/redemptions, and no minimum holding periods, lockups or gates

Third-party pricing

Daily estimated valuations

Tax reporting on simplified K-1 (distributed before March 15)

Offerings

Morgan Stanley offers two types of managed futures investments:

MANAGED FUTURES PREMIER PLATFORM

- Provides access to high-quality single-manager funds with lower investment minimums and advisor management fees than might otherwise be attained through a direct investment in the funds

MULTI-MANAGER MANAGED FUTURES FUNDS

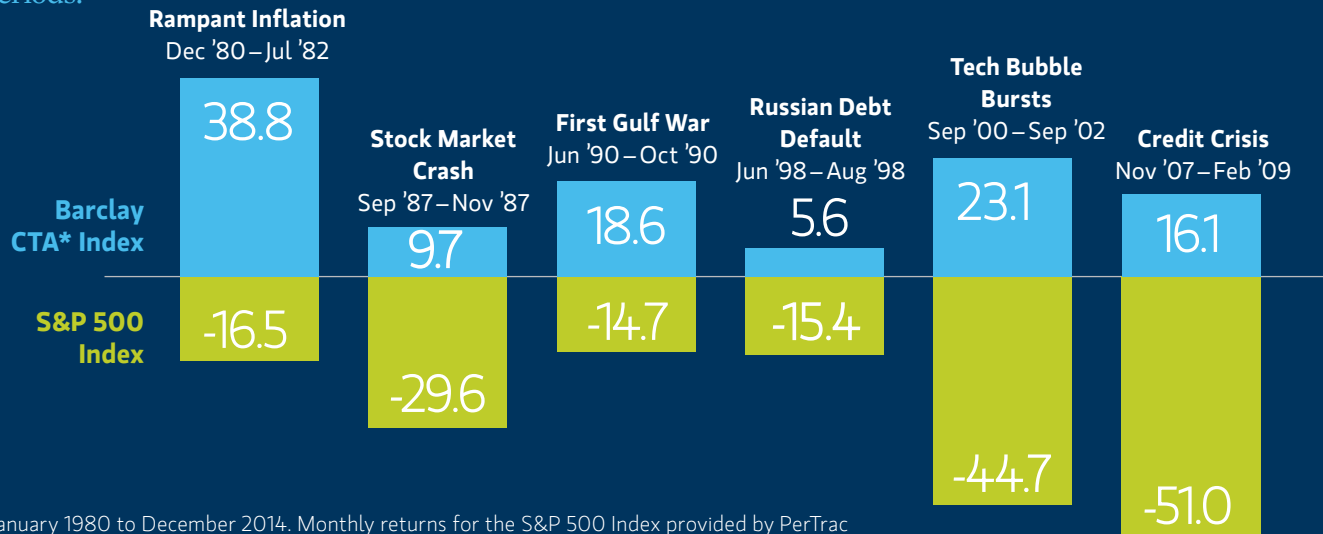
- Simplifies the process of investing in more than one single-manager fund by providing access to multiple commodity trading advisors and various unique trading strategies through a single investment vehicle

Eligibility and Minimum Investment

- For most funds, minimum net worth of \$1M (excludes primary residence) for individuals (or a gross annual income in excess of \$200K if single; \$300K if joint) and \$5M for entities
- Minimum investment: Typically \$25K (\$10K for IRA/ERISA, \$10K for additional subscriptions)

Managed Futures Versus Stocks

Since 1980, stocks have declined more than 10% on six occasions, with an average decline of 28.6% on these occasions. Meanwhile, managed futures investments have had an average rate of return of 18.7% during those six periods.



Data: January 1980 to December 2014. Monthly returns for the S&P 500 Index provided by PerTrac

Financial Solutions, LLC (Memphis, TN) and monthly returns for the Barclay CTA Index provided

by BarclayHedge, Ltd. (Fairfield, IA). Managed futures investments do not replace equities or bonds but rather act as a complement to help in potentially smoothing overall portfolio returns. Monthly returns for the Barclay CTA Index reflect the composite fee structure of the representative commodity trading advisors, and therefore, may be higher or lower than those fees applicable to any one particular managed futures fund. These indexes are unmanaged and investors cannot directly invest in them. Composite index results are shown for illustrative purposes and do not represent the performance of a specific investment. Please see the Appendix for important information about the indexes.

*CTA refers to Commodity Trading Advisors.

PAST PERFORMANCE IS NO GUARANTEE OF FUTURE RESULTS.

Real Estate

As a classic tangible asset, real estate can be a compelling addition to your portfolio. In general, real estate offers you the potential for risk-adjusted returns, especially given today's global credit situation. Real estate investments can also serve as a hedge against inflation.

Real estate funds offer another way to add diversification to a traditional investment portfolio. While real estate investments can have lower volatility as compared with traditional investments, they may also be subject to changing market cycles and interest rates.

Characteristics

Real estate is well suited to core, value-added and opportunistic investing strategies¹

- Private marketplace: inefficient pricing
- Steady cash income return with potential value appreciation

Offerings

Morgan Stanley offers access to real estate investments through:

ALTERNATIVE INVESTMENT PARTNERS

- Morgan Stanley proprietary managers that focus on a global portfolio of small to mid-sized managers for diversified exposure
- Features an integrated platform of primaries, secondaries and co-investments, which can provide synergies in due

diligence, create broad proprietary deal flow and enable deep relationships with managers

MORGAN STANLEY REAL ESTATE INVESTING

- Manages a range of core to opportunistic real estate investing products and strategies in the Americas, Europe and Asia
- Offers closed- and open-ended funds that invest in control and non-control positions

THIRD-PARTY MANAGERS

- A spectrum of third-party real estate products is available to complement and supplement proprietary funds, and meet your global commercial real estate asset allocation needs

Eligibility and Minimum Investment

- Qualified Purchaser: \$5M in net investment assets for an individual; \$25M for an entity. Available to qualified individual and institutional investors
- Minimum investment: Typically \$250K

Exchange Funds

With exchange funds, investors may benefit from greater diversification by exchanging a concentrated stock position for fund shares without selling stock or triggering a taxable event.¹

These special-purpose funds offer holders the ability to diversify their investments by exchanging stock positions, oftentimes in highly appreciated or restricted stock, for shares of a diversified private placement fund. Contributions of appreciated stock to a properly structured exchange fund are not taxable under current federal tax law.

Characteristics

Typically comprise mainly equities, and may also include other qualifying assets, such as real estate

Investors may benefit from greater diversification without incurring tax liability

Dividends are usually pooled and reinvested

Offerings

Morgan Stanley offers access to exchange funds through:

THIRD-PARTY MANAGERS

- Several funds from leading third-party managers, who have been offering exchange funds for over 20 years, are available to help provide investors with broad diversification

Eligibility and Minimum Investment

- Qualified Purchaser: \$5M in net investment assets for an individual; \$25M for an entity
- Minimum Investment: \$500K+

¹ See the important tax disclosures at the end of this brochure.

Morgan Stanley's global presence, diverse talent and intellectual capital enable us to offer an array of nontraditional investments that can help accomplish a variety of goals.

To learn more about our alternative investment offerings, speak with your Morgan Stanley Financial Advisor or Private Wealth Advisor.

Appendix

RISK CONSIDERATIONS

Investing in alternative investments can involve a high degree of risk. These are speculative securities. Diversification does not assure a profit or protect against loss in a declining market. Before you decide to invest, carefully consider a fund's investment objectives, risks, charges and expenses. This and other information can be found in a fund's confidential offering memorandum or prospectus, which you should read carefully before investing.

ALTERNATIVE INVESTMENTS

Valuation Risk Certain alternative investment funds often trade in esoteric and/or illiquid securities. In normal markets, it is sometimes difficult to price these instruments, causing managers to estimate market values. In stressed markets, this problem may be magnified, leaving investors with an imprecise understanding of a portfolio's Net Asset Value. Valuations for investments for which market quotations are not available may at times be estimates, which may affect the amount of the management and incentive fees.

Specialized Trading Special investment techniques such as leveraging, short selling and investing in derivatives, including options and futures, may result in significant losses.

Manager Risk Investing in a fund exposes investors to risks particular to that fund manager. These risks can include poor decision making, key personnel departures or fraud, among others. In the case of a fund of funds, although the investment manager selects managers it believes are prudent and reliable, managers could perform poorly or reach capacity.

Liquidity Risk Interests in certain alternative investment funds are generally not readily marketable and not redeemable. Interests in a fund generally are not transferable except in limited circumstances. Accordingly, investors have to bear the risks of investing for the full duration of the lock-up period.

Investment Process/Model Risk The investment manager's investment process may be heavily dependent on the investment manager's analysis of historical data. No assurance can be given that these analyses will accurately predict future results.

Market Risk The value of securities, commodities, and currencies may fluctuate reflecting a variety of factors, including changes in investor outlook and political and economic environments.

Strategy Risk Investments in diverse and sometimes complex strategies are affected in different ways and at different times by changing market conditions. Strategies may at times be out of market favor for considerable periods, with adverse consequences for the portfolio.

Incentive Compensation Managers will, in general, receive performance compensation, which may give the managers incentives to make investments that carry greater risk or more speculative than might be the case if no performance compensation were paid.

HEDGE FUNDS

Specialized Trading Special investment techniques such as leveraging, short selling and investing in derivatives, including options and futures, may result in significant losses.

Market Risk The value of securities, commodities, and currencies may fluctuate reflecting a variety of factors, including changes in investor outlook and political and economic environments.

Strategy Risk Hedge funds trade in diverse complex strategies that are affected in different ways and at different times by changing market conditions. Strategies may at times be out of market favor for considerable periods, with adverse consequences for the portfolio.

Manager Risk Although Morgan Stanley selects advisors it believes are prudent and reliable, advisors could perform poorly or reach capacity.

Incentive Compensation Managers will, in general, receive performance compensation, which may give the managers incentives to make investments that carry more risk or more speculative than might be the case if no performance compensation were paid.

Liquidity Risk Funds of hedge funds may have limited redemption dates. Underlying advisors may also have lock-up periods and infrequent redemption dates, thereby limiting the investment manager's ability to reallocate assets as market and advisor performance change.

Valuation Risk Hedge funds may trade in esoteric securities, often in illiquid markets. In normal markets, it is sometimes difficult to price these instruments, causing managers to estimate market values. In stressed markets, this problem may be compounded, leaving investors with an imprecise understanding of the NAV of a multi-strategy portfolio. Valuations for investments for which market quotations are not available may at times be estimates, which may affect the amount of the Management and Incentive Fees.

Conflicts of Interest Morgan Stanley Smith Barney, LLC or its affiliates (collectively, "Morgan Stanley") engage in or may engage in business (in each case, subject to applicable law) with a particular fund, the general partner, the manager and/or the entities in which a particular fund invests, and as a result earns or will earn current or future fees and commissions by providing certain services, including but not limited to: (i) financing or investment banking services; (ii) lending or arranging credit; and (iii) other financial services. The receipt or prospect of receiving such fees or commissions may present an actual or potential conflict of interest. In addition, in connection with an investment in a particular fund, the manager or its affiliate may receive certain management fees and its general partner may receive carried interest from investors in a particular fund as described in the applicable fund memorandum.

Reliance on Industry Data Morgan Stanley utilizes and relies on data and indexes from third parties, and some of these are presented in this presentation. Morgan Stanley does not independently confirm the data and indexes from these third-party sources and does not make any representation as to their accuracy.

MANAGED FUTURES

Leverage Trading of commodity interests is speculative, volatile and involves a high degree of leverage. A small change in the market price of a

contract can produce major losses for the fund. You could lose all of your investment. Leverage is inherent in futures trading. In order to enter into a futures contract, a trader needs to post with the exchange only a small security deposit, or 'margin', sufficient to cover any daily fluctuations in the value of the positions, which is adjusted daily to account for changes in value. The low initial outlay, typically ranging from about 5% to 20% of the value of the contract, allows the investor continued use of most of his capital for the duration of the contract, while at the same time controlling positions with much greater value than the initial amount invested. This inherent leverage amplifies the effect of price fluctuations, creating greater gains and losses, as a percent of the actual amount invested and resulting in increased volatility.

Fees & Expenses Regardless of trading performance, the funds will incur fees and expenses, including brokerage and management fees. Substantial incentive fees may be paid to one or more trading advisors even if the fund experiences a net loss for the full year.

Lack of Liquidity Your ability to redeem units is limited. In many cases, you may only redeem units after an initial three-month holding period and then only on a monthly basis.

Conflicts of Interest A fund may be subject to conflicts of interest: the general partner and broker may be affiliates; each of the trading advisors, the commodity broker and their principals and affiliates may trade in commodity interests for their own accounts; and your Morgan Stanley Financial Advisor/Private Wealth Advisor will receive ongoing compensation for providing services to your account.

Diversification Benefit is Uncertain The fund will not provide any benefit of diversification of your overall portfolio unless it is profitable and produces returns that are independent from stock and bond market returns.

Strategy Risk The CTA's trading strategies may not perform as they have performed in the past. The CTA may have, from time to time, incurred substantial losses in trading on behalf of clients.

Taxation You will be taxed on your share of a fund's income, even though the fund does not intend to make any distributions.

Manager Risk The general partner, at any time, may select and allocate the fund's assets to advisors that are not described in the fund's offering memorandum. You may not be advised of such changes in advance. You must rely on the ability of the general partner to select advisors and allocate assets among them.

PRIVATE EQUITY

Valuation As private equity funds generally will invest in securities that are not readily marketable, the securities generally will be carried at the values provided to the fund or at cost. These valuation procedures are subjective in nature, do not conform to any particular industry standard and may not reflect actual values at which investments are ultimately realized.

Liquidity Risk Interests in a private equity fund are generally not readily marketable and not redeemable. Interests in a fund generally are not transferable except in limited circumstances. Accordingly investors have to bear the risks of investing in the fund for the full duration of the fund.

Speculative Investment The investment strategies utilized may include highly speculative investment techniques, highly concentrated portfolios, control and non-control positions and illiquid investments. Because of the specialized nature of the investment, it is not suitable for certain investors and, in any event, an investment in a private equity fund should constitute only a limited part of an investor's total portfolio. There can be no assurance that a fund will return investors' capital or that cash will be available for distributions.

Default Remedies If an investor fails to fund a capital call when due, the fund may exercise various remedies with respect to such investor and its interest including, but not limited to, causing the investor to forfeit or sell all or a portion of its interest in the fund or requiring that the investor immediately pay up to the full amount of its remaining capital commitment.

REAL ESTATE

Real Estate Ownership Real estate historically has experienced significant fluctuations and cycles in value and local market conditions may result

in reductions in the value and the income associated with real property interests, including possible loss of principal investment.

Competition for Investments Results depend on the availability of real estate investments and the manager's ability to identify and consummate such transactions. There can be no assurance that the manager will be able to find attractive investments to invest all or substantially all of the fund's capital. In addition, the timing which an investor makes investments will have a significant impact on returns.

Leverage Most real estate investments employ leverage. Leverage has the effect of magnifying both gains and losses, including potential loss of principal.

Interest Rate Risk Real estate investments may or may not include the use of floating rate leverage. Floating rate leverage increases the volatility of real estate returns, including increasing the potential loss of principal. Other risks related to interest rates include the risk associated with refinancing properties.

Illiquid Investments Many non-REIT real estate investments are illiquid, and are not listed on any exchange. Investments should generally be regarded as fixed and long term. Generally, there are no liquidity provisions and no mechanisms in place for sale of partial interests in non-realized real estate funds. There are often significant restrictions on transfer.

REFERENCED INDEXES

Barclay CTA Index This benchmark is representative of performance from commodity trading advisors. There were 551 programs included in the calculation of the Barclay CTA Index for the year 2014, which is unweighted and rebalanced at the beginning of each year.

HFR Indexes While the HFRI indexes are frequently used, they have limitations (some of which are typical of other widely used indexes). These limitations include survivorship bias (the returns of the indexes may not be representative of all the hedge funds in the universe because of the tendency of lower performing funds to leave the index); heterogeneity (not all hedge funds are alike or comparable to one another, and the index may not accurately reflect the performance of a described style); and limited data (many hedge funds do not report to indexes, and the index may omit funds, the inclusion of

which might significantly affect the performance shown). The HFRI indexes are based on information self-reported by hedge fund managers that decide on their own, at any time, whether or not they want to provide, or continue to provide, information to HFR Asset Management, L.L.C. Results for funds that go out of business are included in the index until the date that they cease operations. Therefore, these indexes may not be complete or accurate representations of the hedge fund universe, and may be biased in several ways.

HFRI Fund of Funds Index Listing of Top 50 Fund of Funds rankings by Rate of Return, Sharpe Ratio, and Standard Deviation sorted by 1-, 3- and 5-year intervals.

HFRI Fund Weighted Composite Index Includes over 2000 constituent funds, equal-weighted index, no fund of funds included in the index, and the constituent funds must have at least \$50 million under management or have been actively trading for at least 12 months.

PrEQIn Indexes PrEQIn is the first quarterly index for the whole private equity industry, enabling comparison of the performance of private equity funds against other asset classes. This index tracks industry returns information from December 31, 2000, to the most recent quarter-end date available. The Index pools performance information across all private equity strategies including buyout, venture, private equity real estate, fund of funds and distressed private equity, and is calculated on a quarterly basis using data from Preqin's Performance Analyst database. The models use quarterly cash flow transactions and NAVs reported for individual private equity partnerships.

S&P 500 A capitalization-weighted index of 500 US large cap stocks.

INVESTMENT STRATEGIES

Real estate investment strategy definitions:

Core Diversified commingled open-ended funds and separate accounts in direct real estate.

Value-added Concentrated commingled closed-ended funds and/or separate accounts in direct real estate.

Opportunistic Concentrated commingled closed-ended funds in direct real estate.

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- Lack of liquidity in that there may be no secondary market for a fund;
- Volatility of returns;
- Restrictions on transferring interests in a fund; ►

- ▶ • Potential lack of diversification and resulting higher risk due to concentration of trading authority when a single advisor is utilized;
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