



Morgan Stanley

The Gender Advantage:

Integrating Gender Diversity Into Investment Decisions

Gender diversity, as a financial consideration for investors, is accelerating. This is driven by a growing body of research that shows increased diversity and a more inclusive workforce can be attributes of strong performance, as well as by a desire from asset owners to use their financial resources as a tool to drive social change and greater gender equality. Regardless of the original motivation for considering gender diversity, this primer seeks to clarify the range of approaches and opportunities available for investors to successfully integrate gender diversity criteria into an investment portfolio.

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Gender Diversity Defined

Morgan Stanley defines gender diversity as the examination of how genders—through a balance in representation and inclusion—can broaden perspectives and drive value in different settings. Companies are focused on gender diversity as an imperative for recruiting the best talent and fostering innovation, while economies across the globe are focused on growth opportunities associated with the increasing representation of women in the labor force and as financial decision-makers.

Importantly, gender diversity is not about advocating for one group over another, but rather about overcoming biases to achieve balance in representation, empowerment, and economic opportunity across all groups. Many elements of gender diversity are measurable, for example, a firm's number

of female executives or progress on equal pay; however many elements, like culture, are more qualitative by nature or not consistently measured. Achieving gender balance is a long-term objective that also requires progress on issues that have disproportionately affected women and girls, such as sex trafficking,

affordable childcare, and maternal healthcare.

While this primer focuses exclusively on gender diversity, it should be noted that the same considerations and objectives hold true for all forms of diversity including religious, racial, ethnic, sexual orientation, and otherwise.

Gender Diversity as an Investment Opportunity

As an investment opportunity, gender diversity is about identifying the ways in which achieving balance in representation, empowerment, and economic opportunity is material to financial outcomes. A growing body of evidence points to better financial performance associated with higher levels of gender diversity; but identifying these opportunities beforehand requires systematic consideration of relevant criteria.

Commonly observable gender diversity factors include:

- Representation of women among firm employees, senior management, and Boards of Directors;
- Existence of substantive diversity and inclusion policies related to employees and/or Board composition;
- Breadth and quality of programs addressing work/life balance;
- Progress and disclosures on gender parity, including equal pay;
- Accounts of discrimination and sexual harassment controversies; and
- Records of workplace and supply chain safety (particularly in industries where women are overrepresented in the labor force, such as social services, garment manufacturing or fresh-produce supply chains).⁴

As with any consideration of environmental, social or governance (“ESG”) factors, skilled investors should consider gender diversity factors as both a risk and an opportunity. While on its face,

gender diversity is frequently considered a social (“S”) issue, it ties closely into issues of governance (“G”) as they relate to company management and Board decision-making.

A SAMPLE OF STUDIES LINKING GENDER DIVERSITY TO BETTER FINANCIAL PERFORMANCE:

- Morgan Stanley Research reports **higher return on equity (ROE), lower accruals and lower ROE volatility** for companies with high gender diversity, relative to sector peers.¹
- The non-profit Catalyst finds that Fortune 500 companies with 3+ women directors outperform those with no women directors (in at least 4 of 5 years) across several metrics including **return on sales (ROS), return on invested capital (ROIC), and return on equity (ROE)**.²
- A study published in Harvard Business Review finds that there is **no meaningful difference in performance between women-led and male-led start-ups** when financing is provided by venture capital firms with female partners.³



GENDER DIVERSITY AS AN INVESTMENT RISK

Companies and sectors with relatively poor gender diversity records may be exposed to higher levels of risk including reputational risk—as a result of discrimination lawsuits; supply chain risk—related to exploitation of women and girls; and operational risk—associated with poor talent retention and productivity. Several academic studies have also shown greater levels of performance volatility (i.e., investment risk) associated with a lack of Board diversity, suggesting a link between diversity and firm risk management.⁵

GENDER DIVERSITY AS AN INVESTMENT OPPORTUNITY

On the other hand, companies and sectors with relatively strong gender diversity

records may be better positioned across all drivers of performance. Synthesizing a comprehensive framework put forth by Morgan Stanley Research, these drivers may include (1) productivity, decision-making, and innovation; (2) customer acquisition and retention—as a result of brand reputation and customer alignment; and (3) talent recruitment and retention—as a function of employee satisfaction and engagement.⁶

It is worth noting that some of these gender diversity risks and opportunities may be more material to certain sectors—for example, industries where successful customer engagement relies on strong relationships and alignment with a diverse consumer base (for example, financial services or consumer discretionary goods and services).

Macroeconomic trends associated with women's growing economic participation also provide opportunities to position investments that will take advantage of increasing income levels and consumer spending, accelerating innovation and productivity gains, and reducing strain on public spending (for example, as women are able to invest more in their own retirement as well as in their children).⁷

The Market for Gender Diversity Investing

Although still relatively small, the marketplace for investment strategies integrating gender diversity into the investment selection process is growing in both size and sophistication. One example of this growth can be seen in institutional funds. According to data published by US SIF, an industry association for sustainable and responsible investors, investment funds incorporating consideration of diversity and equal employment opportunity (“EEO”) policies and practices (relating to employees, company ownership or contractors) nearly tripled—in both number and assets—between 2005 and 2014. As of 2014, these funds represented \$578 billion in assets, making diversity/EEO one of the top 10 environmental, social and governance (“ESG”) issues considered by institutional investors.⁸

Growth of this market segment is expected to come from both investor demand and development of new investment strategies. This is a result of several key trends:

1. GROWING EVIDENCE OF MATERIAL GENDER DIVERSITY FACTORS AS

A DRIVER OF PERFORMANCE. As highlighted above, a growing body of evidence has linked gender diversity to measures of better performance including return on invested capital (ROIC), return on equity (ROE), and ROE volatility. Importantly, this research has focused on gender diversity factors that pose material risks or opportunities across companies and sectors. As investors and asset managers identify and explore

the range of material gender diversity factors—from board diversity to employee diversity to supply chain safety records—both demand and offerings of investment strategies integrating gender diversity criteria will continue to grow.

2. WOMEN'S INCREASING REPRESENTATION AMONG FINANCIAL DECISION-MAKERS.

As of 2014, women controlled 39% of investable assets in the U.S., with that portion expected to increase.⁹ As it does, so too will demand for investment strategies integrating gender diversity. Research from Morgan Stanley's Institute for Sustainable Investing finds that individual female investors are twice as likely as male investors to consider

positive social or environmental impact alongside rate of return,¹⁰ while research by the Center for Talent Innovation (supported by Morgan Stanley) finds that 77% of women wish to invest in companies with diverse leadership.¹¹ As the business case for investing in gender diversity becomes even more apparent, demand for these strategies will likely expand among male and institutional investors as well.

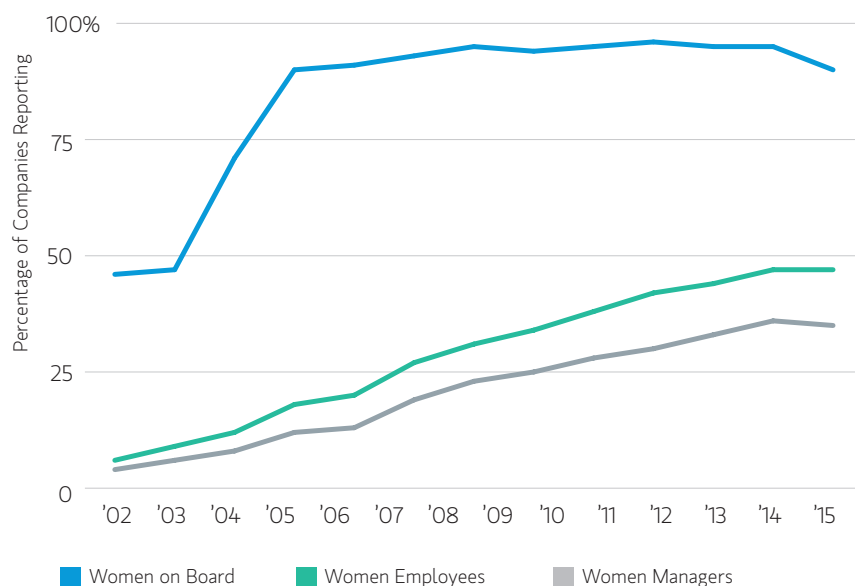
3. NEW ASSET MANAGER STRATEGIES INCORPORATING ENVIRONMENTAL, SOCIAL AND GOVERNANCE (“ESG”) FACTORS. As highlighted by a recent Morgan Stanley Research report, asset managers are under pressure

to differentiate and capture market share amidst the demographic shift in asset ownership toward women and Millennials.¹² As both segments are more likely to seek out positive social or environmental outcomes alongside financial returns,¹³ integration of ESG factors—including gender diversity—represents a strategic opportunity.

4. EXPANDING DATA ON GENDER

DIVERSITY METRICS. A tailwind for continued product innovation, including investment products and indices, is the expanding coverage and sophistication of gender diversity metrics. For example, according to data collected by Morgan Stanley Research, the share of global companies reporting on their percent of women employees has grown from 6% in 2002 to nearly 50% in 2014.¹⁴ (See Exhibit 1.) Drivers behind this increasing data trend include investor and asset manager demand, the rise of organized reporting initiatives such as the Global Reporting Initiative (GRI) and Sustainability Accounting Standards Board (SASB), and in some cases, listing requirements of major stock exchanges.¹⁵

Exhibit 1: Coverage of Women Representation Data Items Over Time
MSCI World, as of 3/22/2016



Source: Morgan Stanley Research

As this market segment expands and investment strategies evolve, investors and asset managers have a role to play in calling for more robust, timely and transparent company reported data on

material gender diversity metrics. As with any form of investment analysis, better data lays the foundation for reaching better outcomes.

Approaches to Investing in Gender Diversity

Gender diversity can be incorporated into investment decisions in a variety of ways—each of which should be considered within the context of an investor’s overall portfolio and investment plan. Ongoing conversation with a Morgan Stanley Financial Advisor, Private Wealth Advisor or Institutional Consultant can help make sense of the objectives, limitations and expanding set of investable opportunities within each approach. Please note that the approaches outlined in Exhibit 2 are not mutually exclusive and can be considered in combination within a portfolio depending on an investor’s objectives.

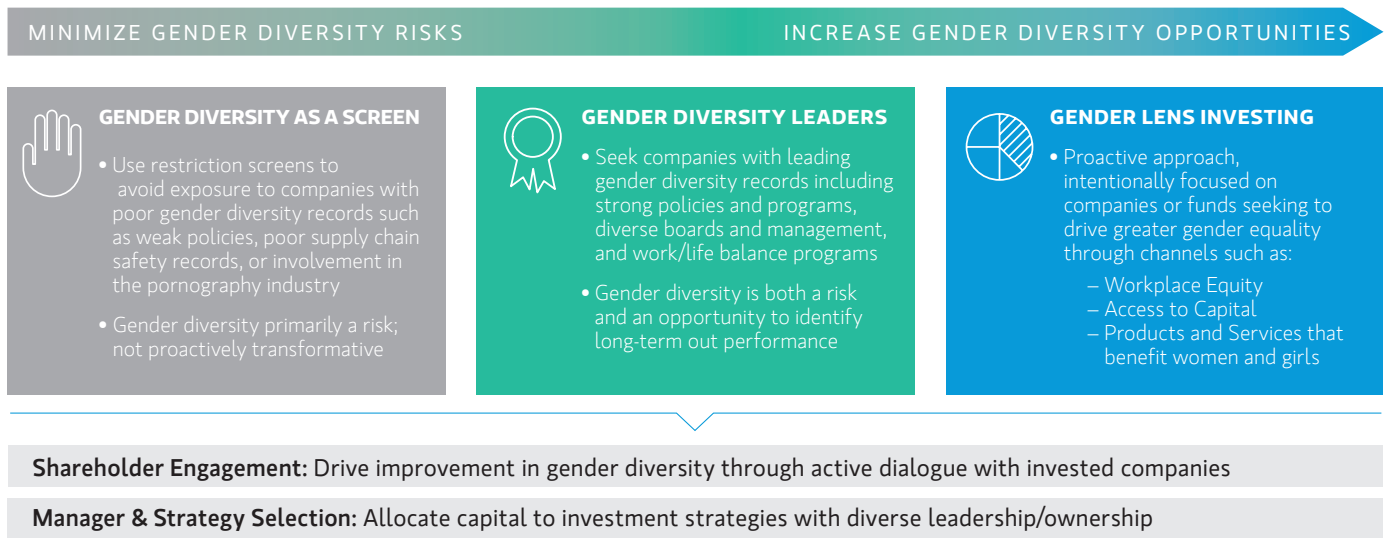
GENDER DIVERSITY AS A SCREEN

One approach to integrating gender diversity criteria within an investment portfolio is minimizing exposure to companies with poor gender diversity records. This approach may reduce exposure to certain long-term risks within a portfolio, or provide investors

with a mechanism to align their investments with a core value or social mission. This approach may not be appropriate for investors who do not wish to (further) limit their investment universe or for investors seeking a more proactive approach to improving gender diversity outcomes.

Common indicators of a poor gender diversity record include weak or nonexistent policies related to diversity and inclusion (among employees and/or Board of Directors), a record of poor human rights or workplace safety, a history of discrimination or sexual harassment controversies, or

Exhibit 2: Morgan Stanley Gender Diversity Investment Framework



involvement in objectionable industries such as pornography/adult entertainment. Reducing exposure to companies with these or other indicators can be achieved through selection of third-party strategies that incorporate a set of restriction screens within their investment selection process, or through an overlay restriction screen (applied to an investor’s separately managed accounts).

Among the 201 sustainable and responsible mutual funds offered in 2016 by institutional member firms of U.S. SIF, 191 funds (95%) applied some form of screen related to diversity or equal employment opportunity (“EEO”) policies and practices.¹⁷ Interestingly, only one of these funds applied a restriction screen in the absence of a positive screen (i.e., a screen seeking out positive impact), suggesting that simply minimizing exposure to poor gender diversity records is not frequently explored as a standalone approach.

GENDER DIVERSITY LEADERS

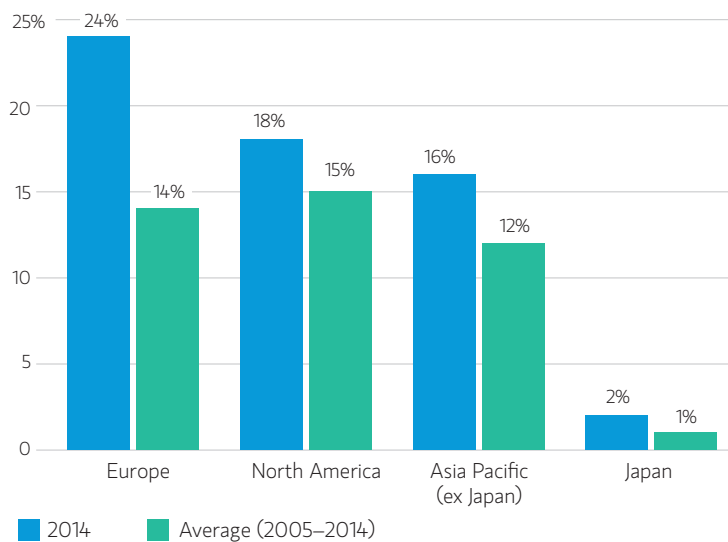
In addition to avoiding risks associated with poor practices, investors may also use gender diversity criteria to identify companies with potentially better risk and return profiles. For some investors, it is important to identify companies with

leading gender diversity records as a means of achieving both financial return alongside greater gender balance or equality. It is worth noting that gender diversity data and performance differ significantly across regions and sectors, so investors may

wish to consider “leading” performance on a relative basis in order to maintain appropriate portfolio diversification.

Most asset managers seeking out companies with leading gender diversity records do so in the context

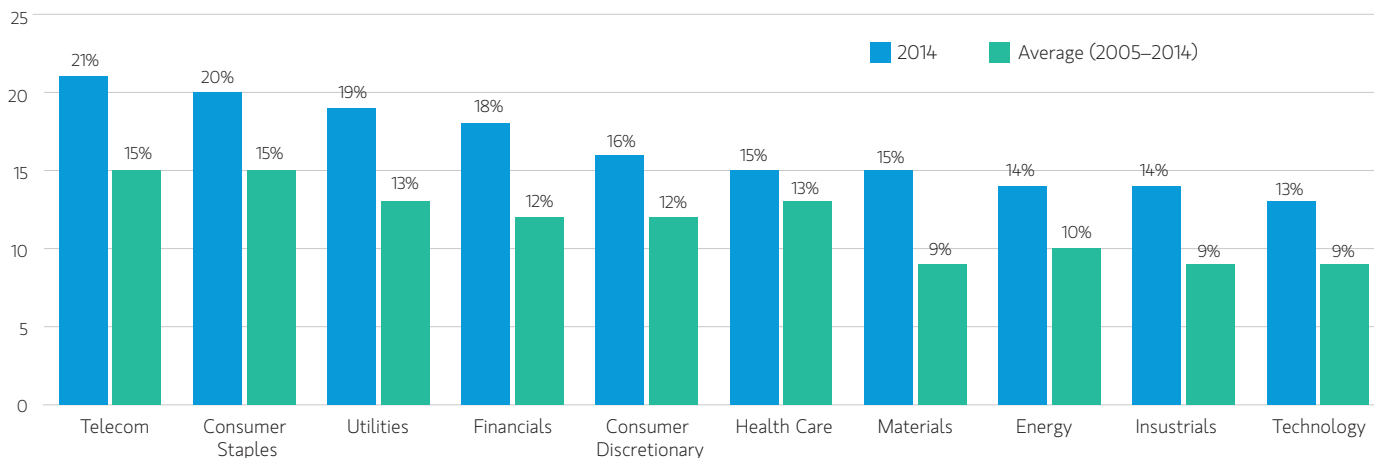
Exhibit 3: Average % Women on Board by Region MSCI World, as of 3/22/2016



Source: FactSet, ASSET4 and Morgan Stanley Research

Exhibit 4: Average % Women on Board by Sector

MSCI World, as of 3/22/2016



Source: FactSet, ASSET4 and Morgan Stanley Research

of evaluating broad environmental, social or governance (“ESG”) factors. This may be through a fully ESG-integrated strategy, in which gender diversity is among the many ESG factors evaluated, or through a more targeted strategy, where ESG factors supplement a primary filter for gender diversity leaders. Most strategies available in the market today take the former—broad ESG-integration—approach; however, there is growing emphasis on the latter, more targeted gender diversity strategies.

GENDER LENS INVESTING

Some investors may wish to more proactively influence gender diversity outcomes. Through an approach known as Gender Lens Investing, financial decisions are evaluated with the objective of creating greater gender balance and a better world for women and girls. Applying this “lens” may encompass the approaches described above—identifying companies with poor or leading gender diversity records—but goes further in its intentional search for solutions to gender equality.

The solutions or themes most commonly associated with Gender Lens Investing are (1) **Workplace Equity** (including support for women entrepreneurs and business owners), (2) **Access to Capital** for women (including financial services

and land ownership), and (3) **Products and Services** benefiting women and girls (for example, affordable childcare and maternal healthcare).¹⁹ Within each of these themes, there are opportunities for investors to generate financial return alongside a deliberate social impact; for example, investments in companies or funds focused on women’s healthcare solutions or microfinance institutions (“MFIs”) that have pioneered increasing access to capital for women entrepreneurs in developing countries. (It is worth noting, however, that not all MFIs focus exclusively on women). While the majority of gender lens investment strategies have been developed in the private markets (including private debt, private equity or venture capital), there is increasing appetite and momentum toward integrating these criteria within public equity and fixed income strategies.

SHAREHOLDER ENGAGEMENT

Across all approaches, engagement with publicly traded companies—through proxy voting, filing of resolutions, and ongoing dialogue—can be an important and effective tool in driving better outcomes. Within the realm of gender diversity, shareholder engagement activities typically fall in two categories: (1) voting in response to a company’s Board of Director nominees, and (2) filing or voting on shareholder

resolutions—or engaging in ongoing management dialogue—related to diversity policies and programs, most commonly focused on amending equal employment opportunity (“EEO”) policies, disclosing gender parity results such as equal pay, or adopting board diversity policies. According to data compiled by business and research group The Conference Board, amendment of EEO policies was one of the two most-voted social issue proposals for Russell 3000 companies during the 2014 proxy season, and the social issue with the highest level of support (29.5% of votes cast). Over the same period, proposals seeking to ensure board diversity were less frequently voted on, but also had a high degree of support (29.1% of votes cast).²⁰

Asset managers are increasingly reporting to investors on the frequency and results of their shareholder engagement efforts. For example, Trillium Asset Management, along with Sustainability Group, successfully pressured Apple in 2014 to amend its board committee charter to prioritize female and minority hires.²¹ Pax World has also publicly initiated a “Say ‘No’ to All-Male Boards” campaign, in which they have committed to withhold support from any corporate board slate that does not include at least one woman director and encourage others to do the same.²² As part of its approach to advocating for

gender diversity, ClearBridge Investments regularly engages with invested companies on policies, processes and performance related to diversity issues, and has also voted in favor of shareholder proposals asking companies to address gender pay inequality.

MANAGER & STRATEGY SELECTION

Another approach that investors may wish to consider with respect to gender diversity is the selection of investment strategies with diverse management or ownership. Specifically, investors may choose to seek out portfolio managers or investment firms that are women- and/or minority-owned.

Women, in particular, are underrepresented in the fund management profession, accounting for less than 10% of all U.S. fund managers and only 2% of the industry's assets and open-end funds.²³ According to research by Morningstar, the performance of exclusively women-run funds rivals that of exclusively men-run funds, suggesting that this disparity is not driven by performance concerns but rather by other factors that may include job pipeline or investor bias.²⁴

In an attempt to systematically rebalance the flow of capital to more diverse portfolio managers, a number of large institutional

asset managers have implemented “emerging manager” programs focused on identifying and supporting investment firms that are relatively small or new. Some emerging manager programs aim to omit bias within their selection processes, while others aim to proactively ensure a level of diversity.²⁵ Manager selection should always be executed using a rigorous framework; however, allocation of capital to strategies with diverse managers or owners can potentially help and improve gender diversity within the capital markets and potentially position portfolios for more optimal performance.

Gender Diversity Across Asset Classes

Utilizing the approaches outlined in Exhibit 2, there are opportunities to invest in gender diversity across all standard asset classes. Here we present an overview of the risk, opportunities and types of products that investors could consider within each one.

PUBLIC EQUITIES

As a result of broad ESG data availability for publicly listed companies, in a relatively limited marketplace for gender diversity strategies, public equities represent one of the most accessible ways for investors to integrate gender diversity criteria into an investment portfolio. Available market-rate products include mutual funds and separately managed accounts—some of which focus primarily on gender diversity, while most are broad ESG-integrated strategies including gender diversity criteria among many other ESG factors considered. Across these strategies, fund managers may apply a combination of positive and restriction screens. Investors with separately managed accounts can also apply overlay restriction screens associated with involvement in the pornography/adult entertainment industry or a poor Human Rights record (including supply chain issues).

PUBLIC FIXED INCOME

As with public equities, corporate debt issuers can be evaluated based on their

gender diversity record. Municipal debt also offers an opportunity to invest directly in sectors or projects with a positive impact on gender diversity outcomes, such as education, healthcare or housing. Like public equities, fixed income strategies are offered as mutual funds or separately managed accounts, integrating broad ESG criteria or a more deliberate focus on gender diversity.

ALTERNATIVE INVESTMENTS

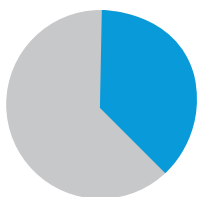
Many alternative strategies have long recognized and explored the opportunity to generate financial return by identifying material risks and opportunities associated with gender diversity. Among these strategies are hedge funds, private debt instruments (including those focused on lending to women), and private equity or venture capital (including those focused on women-led businesses or companies developing products or services of particular benefit to women and girls). Among private equity and venture capital funds dedicated to impact investing, there is a significant focus on improving the

lives of women and girls. As of August 2016, among the 261 private equity and/or venture capital funds tracked by the Global Impact Investing Network (GIIN)'s directory, ImpactBase, 94 funds (36%) had a self-identified focus on women. Among these 94 funds, the most common “impact themes” related to women (of which some tackled more than one) were Access to Finance (66), Employment Generation (53), and Access to Basic Services (50).

It is important to recognize that dedicated strategies—across Gender Diversity as a Screen, Gender Diversity Leaders and Gender Lens Investing approaches—are still very limited in the marketplace across asset classes. Where strategies do not currently exist, Morgan Stanley is actively working with partners to identify new opportunities.

Portfolio Construction

The integration of gender diversity criteria into an investment portfolio—using one or many of the approaches outlined in Exhibit 2—should be considered alongside traditional asset allocation and overall investment strategy decisions. Unlike some other more established investable themes, gender diversity is a growing market segment with a currently limited number of available market-rate products. As such, it will be difficult to apply these gender diversity approaches to a full portfolio solution in the near term, and may be more appropriate for a partial portfolio solution or carve-out. Morgan Stanley Financial Advisors, Private Wealth Advisors and Investment Consultants can work with clients to determine a suitable portfolio solution that integrates gender diversity objectives with financial goals and risk tolerance.



PARTIAL PORTFOLIO

A **partial portfolio solution** may be appropriate for investors who wish to actively consider gender diversity as part of their existing asset allocation by integrating gender diversity investments across asset classes where available and appropriate. In this way, investments that actively incorporate gender diversity criteria may exist within a portfolio alongside investments that do not. When using a partial portfolio solution, investors should consider several factors including:

- Whether other impact objectives are also part of the core investment strategy—and if so, how gender diversity criteria are related—for example, through ESG-integration;
- Which asset classes or sectors offer compelling market-rate strategies incorporating gender diversity criteria; and
- How gender diversity criteria will be integrated into investment selection across the portfolio.



CARVE-OUT PORTFOLIO

An investment portfolio **carve-out** may be appropriate for investors that wish to set aside a dedicated portion of their portfolio to integrate and/or promote gender diversity criteria. According to the World Economic Forum, a typical impact carve-out for a family office initially represents 1-10% of the portfolio, with the potential to grow over time.²⁶ A carve-out may be of interest to investors with a specific set of impact objectives related to gender diversity. Considerations for investors selecting a carve-out approach should include:

- Which asset classes will be included as part of the carve-out (to be informed partially by the availability of market-rate products and strategies);
- Whether the carve-out should be separately managed or advised, or incorporated as part of the overall asset allocation of the investment portfolio;
- How gender diversity criteria will be evaluated alongside financial track

record when selecting investment strategies; and

- Whether and how to evaluate the gender diversity outcomes associated with these dedicated investments.

Conclusion

As greater gender diversity and balance is reached across the macroeconomic landscape and as the business case for gender diversity becomes more apparent, investors can position their portfolio to take advantage of these opportunities. Whether investors are concerned about long-term risks or seeking to generate greater gender equality, this primer aims to clarify the full range of approaches to integrating gender diversity criteria — as both investment risks and opportunities — across asset classes within an investment portfolio.

A Morgan Stanley Financial Advisor, Private Wealth Advisor or Investment Consultant can serve as a valuable resource in navigating the quickly changing landscape of investment opportunities and developing an actionable investment strategy that is aligned with both financial and impact objectives. As the market opportunity evolves, investors also have an opportunity to shape the market through discourse and demand for data and sophisticated investment strategies.

- ¹ Morgan Stanley Research, "Putting Gender Diversity to Work: Better Fundamentals, Less Volatility" (May 2016)
- ² Catalyst, "The Bottom Line: Corporate Performance and Women's Representation on Boards 2004-2008" (2011)
- ³ Raina, Sahil, Harvard Business Review, "Research: The Gender Gap in Startup Success Disappears When Women Fund Women," (July 2016)
- ⁴ U.S. Government Accountability Office, "Gender Pay Differences" (October 2011); Oxfam, "Trading Away Our Rights: Women Working in Global Supply Chains" (April 2004)
- ⁵ Thomson Reuters, "Mining the Metrics of Board Diversity" (June 2013); Chen et al, "Gender Diversity in the Boardroom and Risk Management: A Case of R&D Investment" (January 2015); Wilson & Altanlar, "Director Characteristics, Gender Balance and Insolvency Risk: An Empirical Study" (September 2009)
- ⁶ Morgan Stanley Research, "A Framework for Gender Diversity in the Workplace" (March 2016)
- ⁷ Morgan Stanley Research, "A Framework for Gender Diversity in the Workplace" (March 2016)
- ⁸ US SIF, Report on US Sustainable, Responsible and Impact Investing Trends 2014
- ⁹ Center for Talent Innovation, "Harnessing the Power of the Purse: Female Investors and Global Opportunities for Growth" (May 2014)
- ¹⁰ Morgan Stanley Institute for Sustainable Investing, "Sustainable Signals: The Individual Investor Perspective" (February 2015)
- ¹¹ Center for Talent Innovation, "Harnessing the Power of the Purse: Female Investors and Global Opportunities for Growth" (May 2014)
- ¹² Morgan Stanley Research, "What's the ESG/SRI Opportunity Set?" (May 2016)
- ¹³ Morgan Stanley Institute for Sustainable Investing, "Sustainable Signals: The Individual Investor Perspective" (February 2015)
- ¹⁴ Morgan Stanley Research, "A Framework for Gender Diversity in the Workplace" (March 2016)
- ¹⁵ Morgan Stanley Research, "A Framework for Gender Diversity in the Workplace" (March 2016)
- ¹⁶ Morgan Stanley Research, "A Framework for Gender Diversity in the Workplace" (March 2016)
- ¹⁷ US SIF, Sustainable & Responsible Mutual Fund Chart (<http://charts.ussif.org/mfpc>) as of August 2016
- ¹⁸ Morgan Stanley Research, "A Framework for Gender Diversity in the Workplace" (March 2016)
- ¹⁹ Veris Wealth Partners, "Women, Wealth & Impact: Investing with a Gender Lens 2.0" (March 2015); Trillium Asset Management et al., "Investing for Positive Impact on Women" (November 2015)
- ²⁰ The Conference Board, "Shareholder Proposals on Social and Environmental Issues" (December 2014)
- ²¹ IR Magazine, "Investor Pressure Prompts Apple Board Diversification" (January 2014)
- ²² Pax World Press Release, "Pax World Calls on Investors to Say 'No' To All-Male Corporate Boards" (April 2010)
- ²³ Morningstar, "Fund Managers by Gender" (June 2015)
- ²⁴ Morningstar, "Fund Managers by Gender" (June 2015)
- ²⁵ For example, see: CalPERS, "Emerging & Diverse Manager Data Report" (March 2013); Morgan Stanley, "Morgan Stanley Investment Management Launches Emerging Manager Program" (December 2009)
- ²⁶ World Economic Forum, "Impact Investing: A Primer for Family Offices" (December 2014)

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Alternative investments may only be offered to clients by AI-qualified FAs/PWAs/ICs. Before AI-qualified FAs/PWAs/ICs may discuss a particular private fund with a prospective investor, they must confirm that the prospective investor meets the offering's minimum qualification requirements by submitting the appropriate client information into the firm's Reg D system. Only firm-approved offering materials (generally, the offering memorandum, pitchbook and related materials) may be used to offer or sell interests in a particular fund. Most alternative investments on the AI platform are sold on a private placement basis to eligible clients who must be Accredited Investors and/or Qualified Purchasers depending on the requirements of the specific investment.

Investing in the market entails the risk of market volatility. The value of all types of investments may increase or decrease over varying time periods. Fixed Income investing entails credit risks and interest rate risks. When interest rates rise, bond prices generally fall. The returns on a portfolio consisting primarily of ESG or gender diversity investments may be lower or higher than a portfolio that is more diversified or where decisions are based solely on investment considerations. Because ESG and gender diversity criteria exclude some investments, investors may not be able to take advantage of the same opportunities or market trends as investors that do not use such criteria.

Alternative investments often are speculative and include a high degree of risk. Investors could lose all or a substantial amount of their investment. Alternative investments are suitable only for eligible, long-term investors who are willing to forgo liquidity and put capital at risk for an indefinite period of time. They may be highly illiquid and can engage in leverage and other speculative practices that may increase the volatility and risk of loss. Funds of funds typically have higher fees than single-manager vehicles as they are subject to an additional layer of fees charged by the fund of funds manager. Alternative investments involve complex tax structures, tax-inefficient investing and delays in distributing important tax information. Diversification does not assure a profit or protect against loss in a declining market. Past performance is no guarantee of future results.

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

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