Morgan Stanley

INVESTMENT MANAGEMENT

The Compelling Case for Semi-Liquid Evergreen Private Equity

INSIGHT | PRIVATE EQUITY | March 2025

Key takeaways

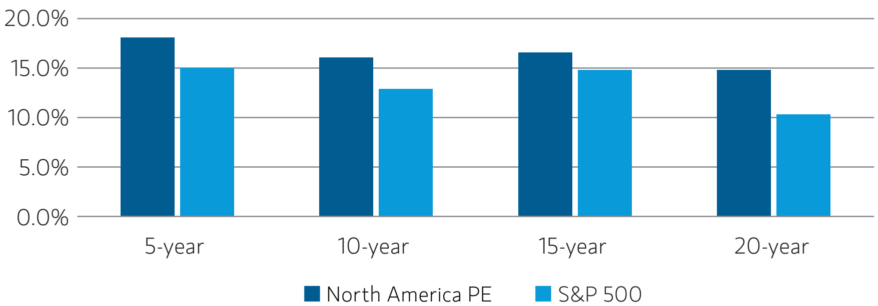
- In the last several years, individual investors have increasingly embraced semi-liquid evergreen funds to access alternative investments. A shift can also be seen in the institutional market and with family offices.
- With no drawdown period, evergreen funds provide immediate access to a diversified portfolio and may have the ability to provide some liquidity in a traditionally illiquid asset class.[1]

Overview

With more than 99% of the 33 million businesses[2] in the U.S. being privately held, institutional investors have long used private equity (PE) as a means to tap into this vast ecosystem of private companies. The reason is clear: returns from private equity have consistently ranked among the highest of any asset class on a 5-, 10-, 15- and 20-year basis.

DISPLAY 1

Horizon IRRs



Source: PitchBook. As of September 30, 2024. For private fund strategies, these are preliminary quarterly returns. Note: All public index values are total return CAGRs. All private capital returns are net of fees and carry.

[1] Diversification does not eliminate risk.

[2] Source: U.S. Business Administration.

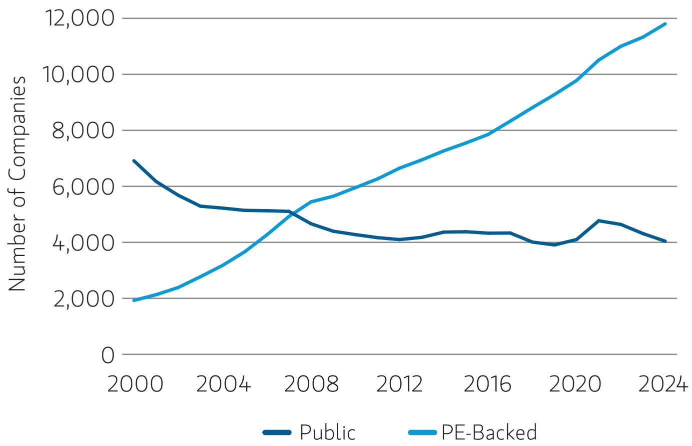
AUTHOR

DAN PICARD
Head of Alternatives Product Development

"Semi-liquid evergreen private equity vehicles provide individual investors access to many of the benefits of private equity investing with a better user experience and the potential for long-term compounded returns."

DISPLAY 2

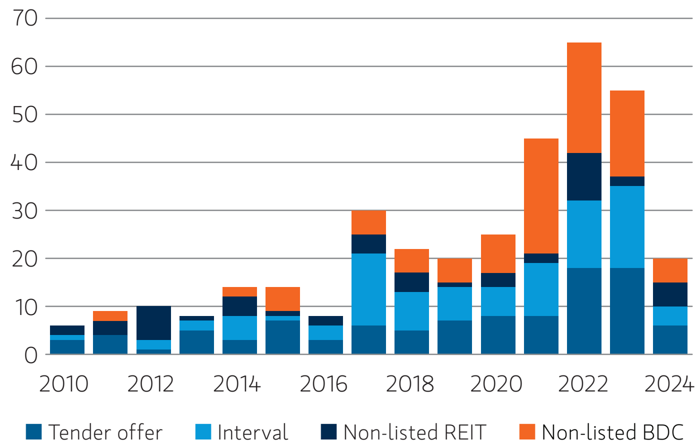
The Expanding Opportunity Set for PE Investing



Source: PitchBook, World Federation of Exchanges, SIFMA

DISPLAY 3

Semi-Liquid Evergreen Funds Launched by Year



Source: PitchBook. As of September 27, 2024.

However, that attractive performance historically has been difficult to access by investors other than large institutions. For example, in a traditional PE vehicle, investors must commit to funding high dollar amounts, often exceeding $5 million, which are paid in over time as and when fund managers find companies to acquire. These are known as draw-down funds and are best suited for large investors given the significant amounts and unpredictable timing of the capital required. The payback of capital is also unpredictable. A PE fund can go many years before selling its holdings and returning principal and gains to its investors. Until then, investor capital is locked up with few means of realizing value.

Industry Innovation Creates Broader Access to Private Equity

Over the last few years, asset managers have developed new fund structures to address these issues. In the process, they have made private markets available to a broader range of investors, including the individual investor. These funds tend to offer some of the same benefits as drawdown funds—diversification[3] and attractive returns—but with easier access through immediate exposure to a diversified portfolio of companies, lower investment minimums, periodic liquidity, simplified tax reporting and no ongoing capital calls. Individuals with as little as $25,000 to invest now have an opportunity to take advantage of institutional products overseen by experienced managers and investment teams in an investor-friendly structure.

Individual investors are increasingly embracing these innovative new structures, which have become one of the fastest-growing segments of the asset management industry. In the U.S. alone, net assets under management totaled $381 billion across 351 semi-liquid evergreen funds as of Q3 2024, with more than half of these funds having been launched just in the last four years *(Display 3)*.[4]

Throughout this rapid growth, managers and investors have gravitated more toward income strategies such as real estate and private credit, while allocations to semi-liquid evergreen funds offering access to private equity remain in their early stages. As confidence in the semi-liquid structure and investor education on the benefits of private company investing increase, allocations to private equity are likely to grow. This can be seen when considering the 43% that institutional investors have allocated to PE in traditional funds versus the 15% allocated so far to semi-liquid evergreen funds *(Displays 4 and 5)*.

Individuals should educate themselves on these products before investing. Semi-liquid is different than liquid, and liquidity is not guaranteed during times of market stress. Moreover, the cash held in these funds to support a liquidity mechanism can dampen overall returns when compared to drawdown funds, which are unencumbered by periodic tender offerings.

How Traditional Drawdown Funds Work

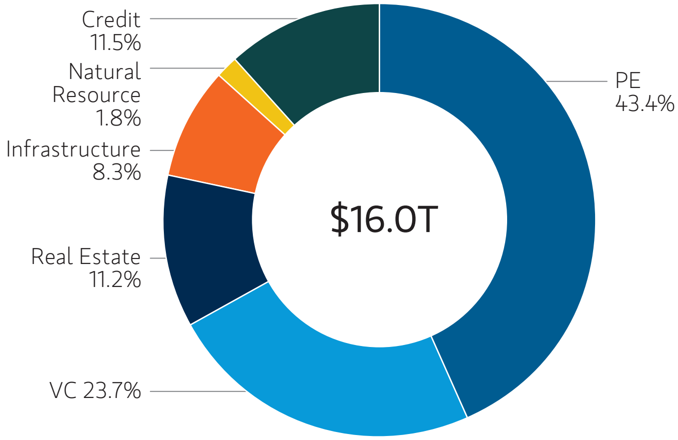
For a PE fund using the traditional drawdown structure, committed capital is staged in over time to fund individual company investments as and when they occur (the investment stage). As shown in the hypothetical example below *(Display 7)*, full deployment does not occur until year four. The

[3] Diversification does not eliminate the risk of loss.

[4] PitchBook, as of September 30, 2024.

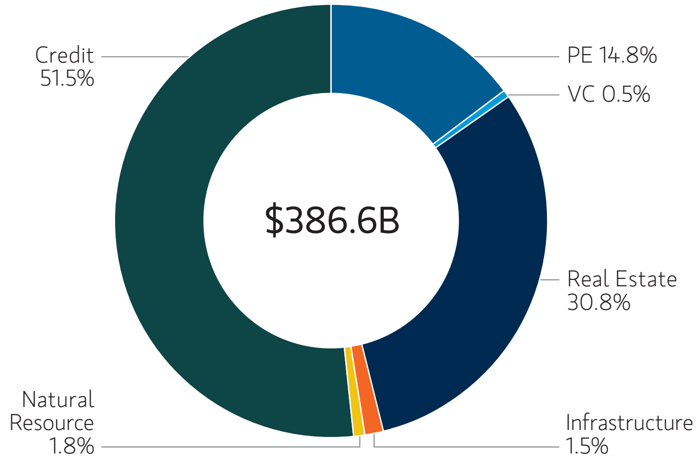
DISPLAY 4

Total Net Assets in Institutional Funds



DISPLAY 5

Total Net Assets in Semi-Liquid Evergreen Funds



Source: PitchBook. As of September 27, 2024

cumulative value of those investments then shifts upward, setting up the "harvest stage." This is when a fund attempts to sell down its holdings, returning originally invested capital plus gains through cash distributions. *Display 8*, also hypothetical, shows total distributions of 1.74x for each dollar invested, although in fact, a much lower 0.47x was invested over the 13-year life of the fund (average invested value).

How Semi-Liquid Evergreen Funds Work

Like a traditional PE fund, an evergreen fund pools capital from multiple investors to invest in a diversified portfolio of private companies.[5] However, unlike closed-end vehicles, evergreen funds remain open perpetually, raising new capital for future investments without time-sensitive closes or a drawdown structure.

DISPLAY 6

Primary Differences Between Evergreen and Closed-End PE Funds

FEATURE	SEMI-LIQUID EVERGREEN FUND	CLOSED-END DRAWDOWN FUND
Fund Structure	Tender offer fund	Limited partnership
Redemption Frequency	At the discretion of fund management. Typically every 3 months, capped at 5% of fund net assets.	No redemptions. Periodic distributions are the sole source of liquidity.
New Investor Admissions	Continuously offered via monthly subscriptions	Finite offering term, then closed to new investors
Investment Minimum	~$25,000	~$250,000*
Investment Due Date	100% due upon subscription	Staged in over time as and when the fund identifies investment targets
Investor Capital Deployment	Fully deployed on a continuous basis	~5 years to fully deploy
Registration & Filing Status	Public. Financials filed regularly with the SEC.	Private. No financials required to be filed.
Fund Life	Perpetual. No defined end date.	Finite life. ~10-15 years.
Tax Reporting	Generally Form 1099	Schedule K-1
Concentration Risk	Low. ~100+ portfolio company holdings via multiple acquired fund interests.	High. ~10-15 portfolio company holdings (buyout).

Source: Morgan Stanley Investment Management (MSIM). Provided for illustrative purposes only.

*Investment minimum for individual investor is ~$250,000, compared with ~$5 million for institutional investor, at the discretion of the GP.

[5] Diversification does not eliminate the risk of loss.

Investors in evergreen funds gain immediate access to a fully deployed portfolio of private equity holdings so that client assets are always fully invested. When a PE manager exits a position through a realization, capital is automatically recycled into new deals, creating a perpetual investment cycle without the need for additional outside capital to be raised. Evergreen funds may generate returns as soon as an investor commits to the fund and are structured in such a way to allow for periodic redemptions, typically every three months and up to 5% of the fund's net assets—thus, the term "semi-liquid."

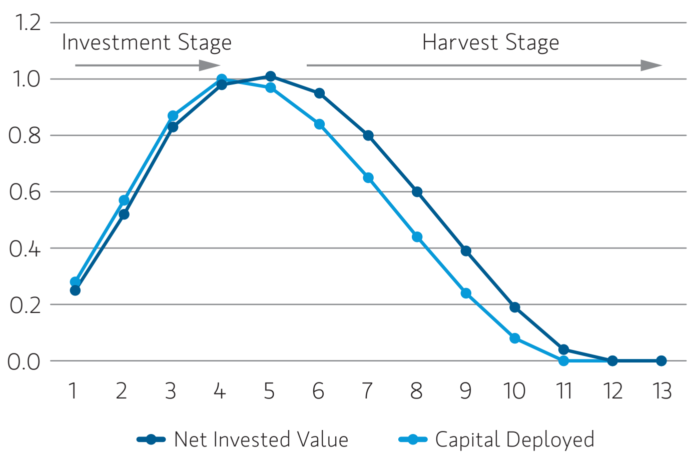
The Power of Compounding

Fully funded from the start, an evergreen fund provides immediate exposure to a diversified PE portfolio, resulting in a compounding effect that can grow committed capital more significantly than a drawdown fund at equal rates of return.[6]

Displays 8 and *9* illustrate the different outcomes from an evergreen fund with a 12% compound annual return (CAGR) and a drawdown fund with a 12% internal rate of return (IRR). The former grows to 3.7x on a higher upfront and continuously invested value, whereas the latter returns 1.74x, albeit on a much smaller initial contribution (0.25x) and average invested value (0.47x). Because an IRR incorporates time value of money and distributions received by investors start sooner while contributions end later in a drawdown fund, the two have identical 12% rates of return. For an evergreen fund paying out the same 1.74x

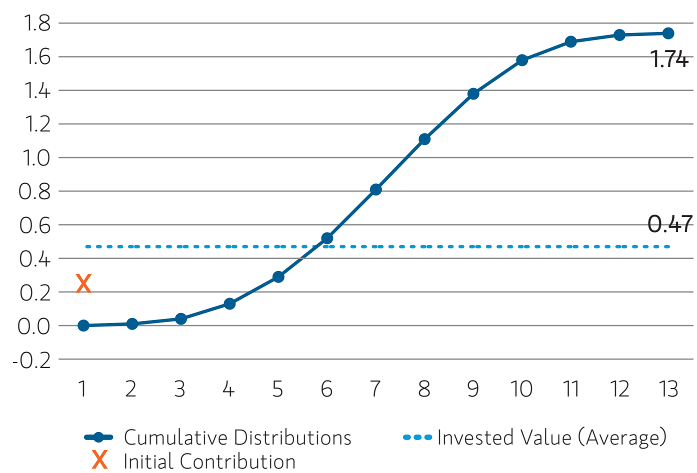
DISPLAY 7

12% IRR Drawdown Fund Deployment



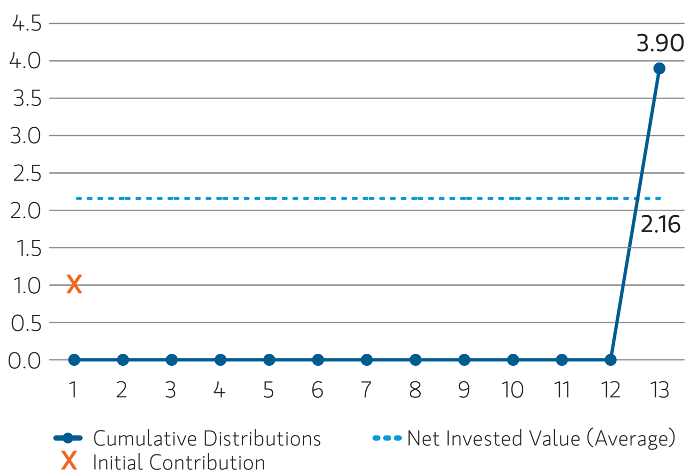
DISPLAY 8

12% IRR Drawdown Fund Total Return



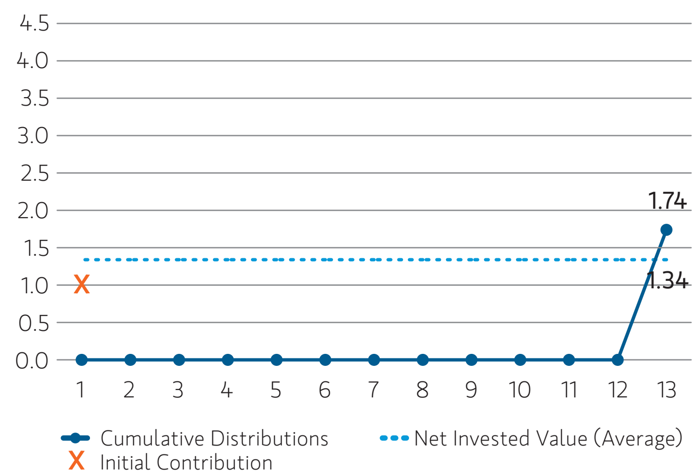
DISPLAY 9

12% CAGR Evergreen Fund Total Return



DISPLAY 10

Evergreen Fund With 1.7x Total Return (5% CAGR)



Source: Morgan Stanley Investment Management (MSIM). Note: For illustration purposes only. For *Displays 8* and 9, assumes full redemption in year 13.

[6] Diversification does not eliminate the risk of loss.

in total distributions, the CAGR would need to be only 5% *(Display 10)*, suggesting that a well-performing evergreen fund can do more with less. That is before considering the timing of cash flows and lower invested balances, however.

An additional benefit of evergreen versus drawdown is that it removes the need for complex liquidity management. Investors in drawdown funds must rely on unpredictable assumptions to plan for cash outflows and inflows associated with acquiring and then disposing of assets over a multiyear timeframe. In evergreen funds, investor capital is fully drawn up front with subsequent sales from asset dispositions fully reinvested.

Tax Considerations[7]

From a tax standpoint, a traditional drawdown fund can impose a greater maintenance burden on an individual due to their limited partnership structure. Limited partnerships generate a Form K-1 for tax reporting purposes, which can delay or complicate the filing process for individuals. Like mutual funds, most evergreen funds are organized as investment companies and generate a Form 1099 which is more standard and easily handled for tax preparation purposes.

Operational Considerations

Lastly, for investors seeking to maintain a consistent allocation to private markets, evergreen funds streamline the operational process of toggling between private markets, public markets, and cash. An institutional investor in a drawdown fund typically experiences an average uninvested capital balance that is significant relative to their formal commitment to such fund *(Display 11)*. This is because much of the committed capital initially goes unused and later, once the PE fund starts selling assets, distributions to the investor are not typically recycled. As shown in *Display 12*, an investor in an evergreen fund, on the other hand, funds the entirety of their capital commitment upon subscribing to the fund and, for the duration of their commitment, maintains continuous exposure to PE assets outside of a required liquidity sleeve that is maintained by the evergreen fund manager, as discussed further below. Moreover, a well-constructed private markets portfolio can be diversified by vintage, manager and asset class (private equity, private debt, etc.). As a capital management tool, an evergreen fund provides an easier way for individual investors and their advisors to achieve this diversification without allocating to multiple funds.[8]

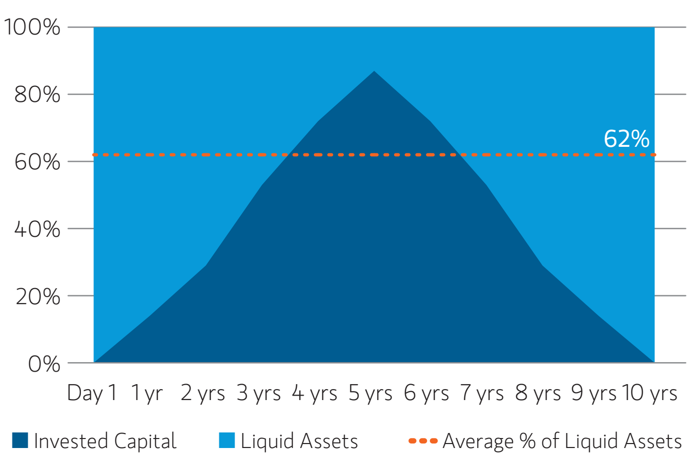
In summary, semi-liquid evergreen PE vehicles allow individual investors to potentially gain access to many of the benefits of private equity investing with a better user experience.

The Capabilities Involved in Managing an Evergreen Fund

One of the consequences of accepting investor capital upfront and maintaining an ability to meet periodic redemption requests is that a portion of the evergreen portfolio is typically held in more liquid investments,

DISPLAY 11

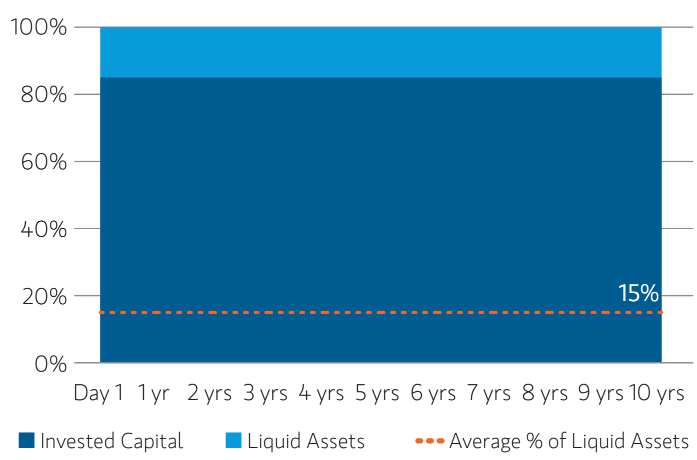
Uninvested Assets in a Drawdown Fund



Source: Morgan Stanley Investment Management (MSIM). Note: For illustration purposes only.

DISPLAY 12

Uninvested Assets in a Semi-Liquid Evergreen Fund



Source: Morgan Stanley Investment Management (MSIM). Note: For illustration purposes only.

[7] Morgan Stanley does not provide tax advice. The taxation of partners and partnerships is extremely complex. Each prospective investor is urged to consult its own tax advisor as to the tax consequences of an investment in a Partnership. Prospective investors should note that the tax treatment of each investor depends on such investor's individual circumstances and that the tax treatment of any investor, as well as the tax treatment of the funds, may be subject to change in the future.

[8] Diversification does not eliminate the risk of loss.

including cash and cash equivalents, versus what is actively deployed to investments in private portfolio companies. This so-called liquidity sleeve can become a drag on returns if improperly managed. During normal market conditions, the liquidity sleeve holdings can range between 10% and 20% of an evergreen fund's portfolio.

For an experienced manager with capabilities to match, several strategies can be employed simultaneously to maintain continuous exposure to private equity assets over and above the liquidity sleeve, especially in an evergreen fund's early life. These strategies can include, but are not limited to:

- As a co-investor in businesses sourced by other managers
- As a buyer of pre-owned private equity fund assets in GP-led secondary offerings
- As a buyer of pre-owned private equity fund interests in LP-led secondary offerings
- As a buyer of new private equity fund interests in a primary offering
- As a direct investor in businesses sourced by the management team

CO-INVESTMENT: Involves acquiring interests in individual companies as opposed to diversified funds. These transactions are sourced by other managers where, on larger deals especially, a manager may invite a small group of select investors to make a significant investment alongside its own fund. This has become more commonplace now that higher equity contributions are stipulated by debt investors. In this structure, the co-investor is often able to participate in the deal without paying any fees to the underlying manager.

GP-LED SECONDARY: Describes an offering that is initiated by an unaffiliated PE manager, or GP. In GP-led transactions, the unaffiliated GP identifies one or several assets to extract from one of their existing PE funds for the purposes of extending their investment duration and potentially raising new capital. The offer is backed by a new set of investors (i.e., secondary buyers) and allows existing limited partners in such GP's PE fund to either opt in or out of the cash being offered for their interest. As with an LP-led secondary, the offer can be at a discount to the estimate of unrealized value, or net asset value (NAV), for the asset(s) involved.

EVERGREEN BENEFIT: Co-investments and GP-led secondaries are less diversified and more concentrated strategies which can add significant alpha to evergreen fund performance when executed properly.[9] These strategies source deal flow from third-party unaffiliated PE managers to enable continuous deployment at scale. Having a robust and high-quality network of such PE managers is key.

SECONDARY ACQUISITIONS OF LP FUND INTERESTS: This strategy involves acquiring interests in one or more PE fund(s) from one or more existing limited partners needing liquidity before it naturally arises. Acquired interests can be in closed-end funds that have completed the investment phase and are therefore fully deployed, allowing an evergreen fund manager to diligence the underlying holdings. By entering a fund midstream, certain holdings may be closer to realization, potentially resulting in a shorter hold period and faster liquidity for the new evergreen owner than the typical investor experience in drawdown private equity. Lastly, because these interests are often sold at a discount to their NAV, the potential exists for additional appreciation assuming, of course, that an NAV estimate is accurate and does not decline from that point forward. There is no formal exchange nor active market for secondary interests in funds, and managers must source and negotiate each transaction individually.

EVERGREEN BENEFIT: The inclusion of an LP secondaries strategy allows evergreen managers to minimize cash drag and achieve immediate diversification while continuously deploying capital. A skilled manager can diversify acquired interests by fund vintage, manager, portfolio holdings, sector weight and geography, among other important considerations.[10] In addition, secondaries can yield higher cash flows sooner given the more mature nature of acquired fund interests, helping with semi-liquidity management.

PRIMARY OFFERINGS OF FUND INTERESTS: This strategy involves acquiring interests in newly formed private equity funds when first offered. Like IPOs in public markets, disproportionate value can be created and gained by initial investors, and the same principle applies to private markets. These fund interests are acquired before any investments are made. The

[9] Diversification does not eliminate the risk of loss.

[10] Diversification does not eliminate the risk of loss.

most sought-after primary funds and best-performing GPs are often oversubscribed and limited to large institutions only. A large evergreen manager may also be able to access those exclusive offerings and identify the better managers.

EVERGREEN BENEFIT: Though not as immediate as with secondaries, a primary funds strategy allows an evergreen manager to invest at scale and in a more diversified manner, especially when combined with other primary or secondary fund interests.[11] A typical buyout fund will acquire ten or more private companies during the investment period following a primary offering's closing. Cash flows may take longer to develop but growth in principal can be significantly higher. As the evergreen manager is relying on careful GP selection to create that excess return, prior experience in evaluating managers is key.

DIRECT INVESTMENT: An evergreen manager can source, transact and manage individual private assets on its own without any third-party reliance. As with co-investing, direct investing may add alpha to an evergreen fund portfolio but only if a manager has an established track record of independently and directly acquiring, managing and exiting private companies.

EVERGREEN BENEFIT: Because it is the least scalable of available strategies, a manager is unlikely to concentrate on a direct investing approach during an evergreen fund's early life. Further out, it can be a powerful tool for avoiding potentially diluted returns and overdiversification resulting from an excessive amount of acquired fund interests.

Partnering with an experienced evergreen manager with a demonstrated track record and a deep and broad pipeline of potential investment opportunities is critical for semi-liquid fund performance. Investors should also seek products that align fee structures with manager incentives for cash management and capital deployment.[12]

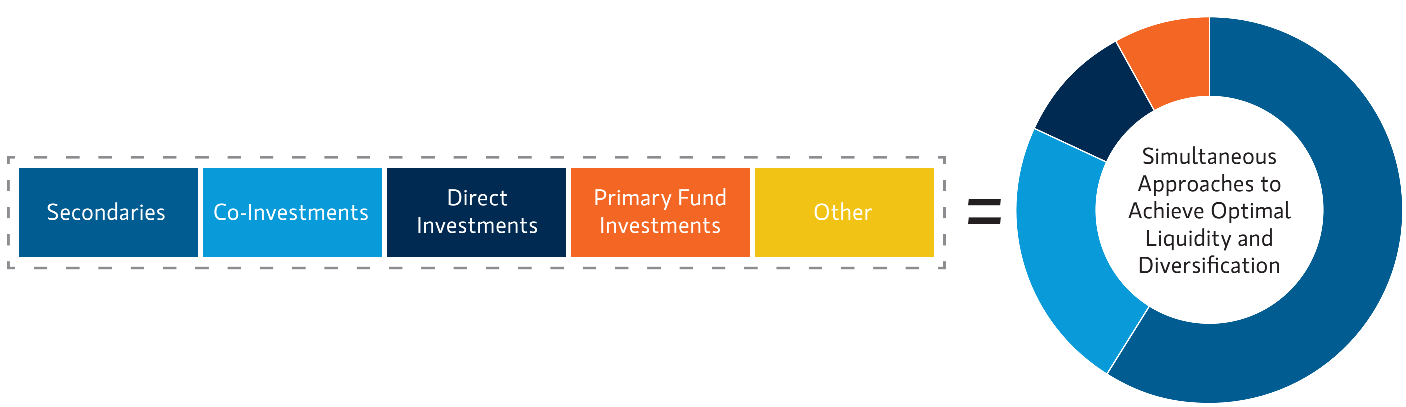
Building a Robust PE Allocation

Portfolio construction is a personal choice; investors do not have to pick between drawdown and evergreen PE structures. Combining the two may produce better returns while decreasing reinvestment and diversification risk.[13] An evergreen vehicle can also serve as a capital management tool. Proceeds from a drawdown fund can be quickly reinvested into an evergreen fund, thereby maintaining a desired target PE allocation. Moreover, investors may choose to maintain a baseline level of diversified exposure to PE through investment in an evergreen fund while making periodic investments into niche sector-, region- and company stage-specific drawdown funds.

Conclusion

Sophisticated large institutions often evolve away from investment portfolios that consist exclusively of public assets to programs incorporating private markets to reduce volatility and add excess return. This same opportunity is now available to individual investors through the introduction of the semi-liquid evergreen fund structure, with private equity only recently becoming a more widespread option relative to private credit and real estate. Private markets have become a staple of large professionally managed portfolios and now individual investors may create those same allocations with less operational hassle, smaller investment minimums, and optimal diversification by using semi-liquid evergreen funds.[14]

DISPLAY 13



[11] Diversification does not eliminate the risk of loss.

[12] Past performance is not indicative of future results.

[13] Diversification does not eliminate the risk of loss.

[14] Diversification does not eliminate the risk of loss.

IMPORTANT INFORMATION

The views and opinions and/or analysis expressed are those of the author or the investment team as of the date of preparation of this material and are subject to change at any time without notice due to market or economic conditions and may not necessarily come to pass. Furthermore, the views will not be updated or otherwise revised to reflect information that subsequently becomes available or circumstances existing, or changes occurring, after the date of publication. The views expressed do not reflect the opinions of all investment personnel at Morgan Stanley Investment Management (MSIM) and its subsidiaries and affiliates (collectively "the Firm") and may not be reflected in all the strategies and products that the Firm offers.

Forecasts and/or estimates provided herein are subject to change and may not actually come to pass. Information regarding expected market returns and market outlooks is based on the research, analysis and opinions of the authors or the investment team. These conclusions are speculative in nature, may not come to pass and are not intended to predict the future performance of any specific strategy or product the Firm offers. Future results may differ significantly depending on factors such as changes in securities or financial markets or general economic conditions.

This material has been prepared on the basis of publicly available information, internally developed data and other third-party sources believed to be reliable. However, no assurances are provided regarding the reliability of such information and the Firm has not sought to independently verify information taken from public and third-party sources.

Forward looking statements are by their nature inherently uncertain insofar as actual realized returns or other projected results can change quickly based on, among other things, unexpected market movements, changes in interest rates, legislative or regulatory developments, acts of God, and other developments. Past performance is not indicative of future results. All forecasts are subject to change at any time and may not come to pass due to changes in market or economic conditions. Certain information contained herein constitutes forward-looking statements, which can be identified by the use of forward-looking terminology such as "may," "will," "should," "expect," "anticipate," "project," "estimate," "intend," continue" or "believe" or the negatives thereof or other variations thereon or other comparable terminology. Due to various risks and uncertainties, actual events or results may differ materially from those reflected or contemplated in such forward-looking statements. No representation or warranty is made as to future performance or such forward-looking statements.

Alternative investments typically have higher fees and expenses than other investment vehicles, and such fees and expenses will lower returns achieved by investors. Alternative investment funds are often unregulated, are not subject to the same regulatory requirements as mutual funds, and are not required to provide periodic pricing or valuation information to investors. The investment strategies described in the preceding pages may not be suitable for the recipient's specific circumstances; accordingly, you should consult your own tax, legal or other advisors, both at the outset of any transaction and on an ongoing basis, to determine such suitability. This material is a general communication, which is not impartial and all information provided has been prepared solely for informational and educational purposes and does not constitute an offer or a recommendation to buy or sell any particular security or to adopt any specific investment strategy. The information herein has not been based on a consideration of any individual investor circumstances and is not investment advice, nor should it be construed in any way as tax, accounting, legal or regulatory advice. To that end, investors should seek independent legal and financial advice, including advice as to tax consequences, before making any investment decision.

The Firm does not provide tax advice. The tax information contained herein is general and is not exhaustive by nature. It was not intended or written to be used, and it cannot be used by any taxpayer, for the purpose of avoiding penalties that may be imposed on the taxpayer. Each Jurisdiction tax laws are complex and constantly changing. You should always consult your own legal or tax professional for information concerning your individual situation. Charts and graphs provided herein are for illustrative purposes only. Past performance is no guarantee of future results.

The indexes are unmanaged and do not include any expenses, fees or sales charges. It is not possible to invest directly in an index. Any index referred to herein is the intellectual property (including registered trademarks) of the applicable licensor. Any product based on an index is in no way sponsored, endorsed, sold or promoted by the applicable licensor and it shall not have any liability with respect thereto.

This material is not a product of Morgan Stanley's Research Department and should not be regarded as a research material or a recommendation.

This material has been issued by any one or more of the following entities:

EMEA: This material is for Professional Clients/Accredited Investors only. In the EU, MSIM and Eaton Vance materials are issued by MSIM Fund Management (Ireland) Limited ("FMIL"). FMIL is regulated by the Central Bank of Ireland and is incorporated in Ireland as a private company limited by shares with company registration number 616661 and has its registered address at The Observatory, 7-11 Sir John Rogerson's Quay, Dublin 2, D02 VC42, Ireland. Outside the EU, MSIM materials are issued by Morgan Stanley Investment Management Limited (MSIM Ltd) is authorised and regulated by the Financial Conduct Authority. Registered in England. Registered No. 1981121. Registered Office: 25 Cabot Square, Canary Wharf, London E14 4QA.

In Switzerland, MSIM materials are issued by Morgan Stanley & Co. International plc, London (Zurich Branch) Authorised and regulated by the Eidgenössische Finanzmarktaufsicht ("FINMA"). Registered Office: Beethovenstrasse 33, 8002 Zurich, Switzerland.

Outside the US and EU, Eaton Vance materials are issued by Eaton Vance Management (International) Limited ("EVMI") 125 Old Broad Street, London, EC2N 1AR, UK, which is authorised and regulated in the United Kingdom by the Financial Conduct Authority.

Italy: MSIM FMIL (Milan Branch), (Sede Secondaria di Milano) Palazzo Serbelloni Corso Venezia, 16 20121 Milano, Italy. The **Netherlands**: MSIM FMIL (Amsterdam Branch), Rembrandt Tower, 11th Floor Amstelplein 1 1096HA, Netherlands. **France**: MSIM FMIL (Paris Branch), 61 rue de Monceau 75008 Paris, France. **Spain**: MSIM FMIL (Madrid Branch), Calle Serrano 55, 28006, Madrid, Spain.

NOT FDIC INSURED. OFFER NO BANK GUARANTEE. MAY LOSE VALUE. NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY. NOT A DEPOSIT.

Hong Kong: This material is disseminated by Morgan Stanley Asia Limited for use in Hong Kong and shall only be made available to "professional investors" as defined under the Securities and Futures Ordinance of Hong Kong (Cap 571). The contents of this material have not been reviewed nor approved by any regulatory authority including the Securities and Futures Commission in Hong Kong. Accordingly, save where an exemption is available under the relevant law, this material shall not be issued, circulated, distributed, directed at, or made available to, the public in Hong Kong. **Singapore**: This material is disseminated by Morgan Stanley Investment Management Company and should not be considered to be the subject of an invitation for subscription or purchase, whether directly or indirectly, to the public or any member of the public in Singapore other than (i) to an institutional investor under section 304 of the Securities and Futures Act, Chapter 289 of Singapore ("SFA"); (ii) to a "relevant person" (which includes an accredited investor) pursuant to section 305 of the SFA, and such distribution is in accordance with the conditions specified in section 305 of the SFA; or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA. This publication has not been reviewed by the Monetary Authority of Singapore.

Australia: This material is disseminated in Australia by Morgan Stanley Investment Management (Australia) Pty Limited ACN: 122040037, AFSL No. 314182, which accept responsibility for its contents. This publication, and any access to it, is intended only for "wholesale clients" within the meaning of the Australian Corporations Act. Calvert Research and Management, ARBN 635 157 434 is regulated by the U.S. Securities and Exchange Commission under U.S. laws which differ from Australian laws. Calvert Research and Management is exempt from the requirement to hold an Australian financial services licence in accordance with class order 03/1100 in respect of the provision of financial services to wholesale clients in Australia

Japan: For professional investors, this document is circulated or distributed for informational purposes only. For those who are not professional investors, this document is provided in relation to Morgan Stanley Investment Management (Japan) Co., Ltd. ("MSIMJ")'s business with respect to discretionary investment management agreements ("IMA") and investment advisory agreements (IAA). This is not for the purpose of a recommendation or solicitation of transactions or offers any particular financial instruments. Under an IMA, with respect to management of assets of a client, the client prescribes basic management policies in advance and commissions MSIMJ to make all investment decisions based on an analysis of the value, etc. of the securities, and MSIMJ accepts such commission. The client shall delegate to MSIMJ the authorities necessary for making investment. MSIMJ exercises the delegated authorities based on investment decisions of MSIMJ, and the client shall not make individual instructions. All investment profits and losses belong to the clients; principal is not guaranteed. Please consider the investment objectives and nature of risks before investing. As an investment advisory fee for an IAA or an IMA, the amount of assets subject to the contract multiplied by a certain rate (the upper limit is 2.16% per annum (including tax)) shall be incurred in proportion to the contract period. For some strategies, a contingency fee may be incurred in addition to the fee mentioned above. Indirect charges also may be incurred, such as brokerage commissions for incorporated securities. Since these charges and expenses are different depending on a contract and other factors, MSIMJ cannot present the rates, upper limits, etc. in advance. All clients should read the Documents Provided Prior to the Conclusion of a Contract carefully before executing an agreement. This document is disseminated in Japan by MSIMJ, Registered No. 410 (Director of Kanto Local Finance Bureau (Financial Instruments Firms)), Membership: the Japan Securities Dealers Association, The Investment Trusts Association, Japan, the Japan Investment Advisers Association and the Type II Financial Instruments Firms Association.

morganstanley.com/im

RO 4261012 Exp. 3/31/2026 25Q10500_KC_0325 LTR