Morgan Stanley
INVESTMENT MANAGEMENT

Semi-Liquid Private Credit: A Quiet Revolution

INVESTMENT INSIGHT | PRIVATE MARKETS DISTRIBUTION | November 2024

AUTHOR

PATRICK REID, CFA
Managing Director, Private Markets Distribution

Key Points

- Innovative fund structures in private markets have opened the once closed door to alternatives investing to the intermediary and wealth management channels.
- These structures, known as semi-liquid funds, offer a number of key advantages for wealth investors with features designed to meet their unique liquidity, risk and performance needs.
- Semi-liquid funds have grown fastest in private credit, an asset class exhibiting liquidity, diversification and valuation features that are well suited to these structures.

Democratizing access to alternatives

A recent report projects that alternatives AUM will rise to $29.2 trillion by 2029, up 74% from 2016.[1] As alternative asset investing continues to see robust growth, the investor base is inevitably broadening out as fund providers innovate to meet a more diversified set of investor needs.

In particular, the wealth management segment is fast emerging as a key private markets growth area. McKinsey projects that private markets allocations will comprise 3-5% of U.S. wealth management assets by 2025 from 2% in 2020, a rise of $500 billion to $1.3 trillion in assets.[2] Investor requests for increased liquidity and accessibility has been a an increasingly important feature of the alternatives' quiet but steady take-off in the wealth channel.

Asset managers are responding to these needs by developing new fund structures and adjusting strategies to help address their varied requirements. In short, they are "democratizing" access by taking a range of private markets asset classes that have historically been the preserve of institutional investors and making them available to a wider investor audience.

Please refer to page 4 for "Important information and Disclosure."

[1] Preqin. "Global alternatives markets on course to exceed 30$tn by 2030." September 18, 2024.
[2] McKinsey. "US wealth management: A growth agenda for the coming decade." February 16, 2022.

Often called semi-liquid funds, these innovative structures offer several advantages for professional and non-professional investors catered to in the wealth management channel.

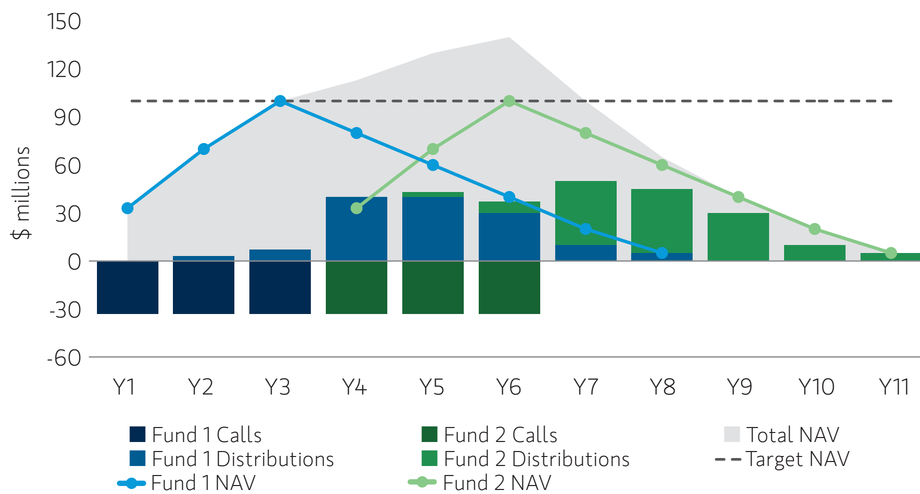
There are also important liquidity and performance considerations to which investors should remain aware. In this paper, we walk through the main features of semi-liquid funds. We then highlight semi-liquid funds' suitability for private credit, an increasingly in-demand private markets sector.

DISPLAY 1

Calls and distributions: Semi-liquid vs. drawdown funds

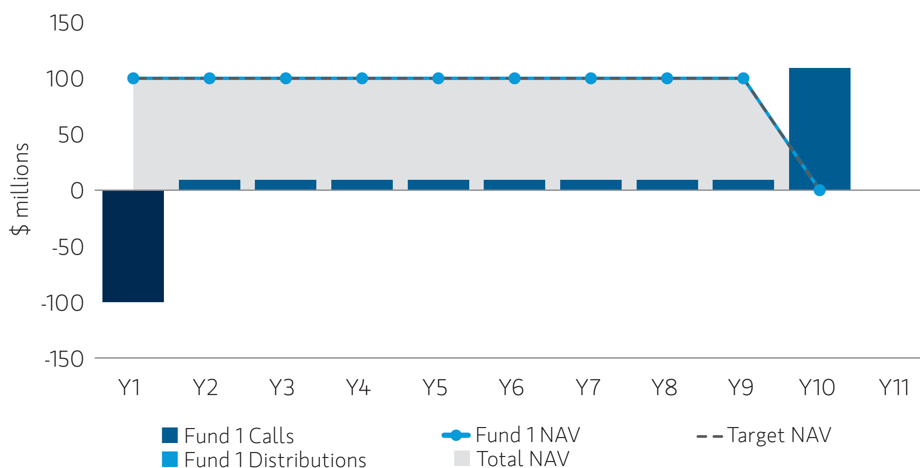
Drawdown fund structures

Investors using traditional drawdown structures must invest in multiple funds to maintain their target exposure to a given asset class over time. Their total exposure will be the combined net asset value (NAV) of these funds, which can fluctuate due to varied timings for capital calls and cash distributions. These factors, crucial in determining a fund's NAV, often complicate the alignment of actual and targeted exposures. Consequently, investors must take greater care to manage commitment timings, multiple cash flows and consolidated reporting, including for taxes.



Semi-liquid fund structures

Fully-funded semi-liquid structures allow investors to achieve the desired exposure immediately through a single commitment, while maintaining exposure close to their target allocation. The funds aim to provide a regular cash flow stream. While not guaranteed and subject to caps, semi-liquid funds also aim to provide full liquidity in a single redemption.



Source: Morgan Stanley Investment Management. As of November 12, 2024. The statements above reflect the views and opinions of MSIM as of the date hereof and not as of any future date and will not be updated or supplemented. For illustrative purposes only and is not representative of any actual or anticipated transactions. Historical trends are not indicative of future results. All forecasts are subject to change and may not come to pass due to changes in market or economic conditions.

Investing on an ongoing basis

Traditional private market funds, known as drawdown or close ended funds, typically have a pre-defined marketing period after which the investment manager ("General Partner" or "GP") gradually calls down investor ("Limited Partner" or "LP") capital subscriptions, typically over four to six years. In contrast, semi-liquid funds are open ended and provide ongoing access, allowing asset owners to remain invested for as long as they choose. From the investor perspective, this is often seen as the democratization of alternatives, placing them closer to traditional investments in how they are transacted. To attract investors into these new structures, investment minimums have also been lowered by some regulators through the introduction of new types of investment vehicles.

Beyond stop/start due diligence

Intermediaries and wealth managers spend a large part of their time performing due diligence on behalf of investors to put products "on platform." When funds are closed-ended, the process typically requires them to perform due diligence on the fund manager and the strategy. Then, they repeat that process each time the manager comes to market.

For each closed-end fund, the allocator must engage their due diligence team in an episodic fashion and then, upon approval of the due diligence work, promote the offering within a typical short and constrained marketing window. Open-end semi-liquid solutions alleviate stop/start due diligence. Their structure allows the intermediary or allocator to underwrite upfront and then focus on monitoring and ongoing

DISPLAY 2

Idea in brief

IMPROVED ACCESS: Innovative fund solutions have emerged to streamline allocation and redemption procedures, extending investment access to intermediary and wealth investors within private markets.	**DIFFERENCE:** Semi-liquid structures have been designed to meet the unique needs of the intermediary and wealth channel, resulting in several differences vis-à-vis traditional closed-end funds that investors should weigh up.	**AVAILABILITY:** Semi-liquid fund launches are rising across private markets, particularly in private credit—an asset class with consistent payouts, known investment liquidity, established valuations methods and diversification potential.

marketing rather than continuously reengaging a new process each time.

"On the shelf" product availability allows investors to gain exposure at the time of their choosing. In a way, the convenience is not unlike allocating to a series of funds over time, but in a much more efficient manner that grants investors greater choice in their given exposure and vintage diversification. Unlike closed-end funds, if conditions change, semi-liquid structures provide investors the flexibility to halt allocations as they see fit.

Operational simplification

From an operational standpoint, avoiding the demands of periodic capital calls appeals to intermediaries and end investors alike. In semi-liquid structures, capital is committed and called just once, after which time investors can opt to make additional subscriptions. For many investors, the ability to make a one-time commitment, as they would in traditional funds, is highly valued. Compare this to a typical private markets closed-end fund: Capital calls and investment occur over several years, obligating the investor to carefully manage capital that has been committed in order to meet future calls.

For intermediaries and wealth managers, semi-liquid funds are less resource intensive. The need for operational teams to monitor and communicate upcoming capital calls or past calls that an investor may have delayed or missed is far reduced in the semi-liquid format.

Considerations

INVESTMENT RETURN

Traditional closed-end funds are designed for specific investment reasons. For example, by calling capital only when needed, fund managers try to maximize clients' internal rate of return (IRR) and multiple of invested capital (MOIC) by investing in the best opportunities when they come to market. The arrangement gives investors optionality on their use of that cash in the period when their closed-end fund manager is not calling capital.

The upfront investment for semi-liquid funds may have different return implications. Responsibility for capital deployment passes to the fund manager, who must endeavor to act promptly to avoid "cash drag" on returns, i.e. the lower return of cash sitting in the portfolio diluting the overall return. But by trading off control of cash flow timings, the manager of the semi-liquid fund typically has to maintain a "liquidity sleeve," consisting of cash and/or public market investments, to hold capital if it cannot immediately be matched with a private investment opportunity.

The untapped capital in the liquidity sleeve may affect the overall return, depending, of course, on how it performs in comparison to the private market targeted. Investors evaluating semi-liquid funds will have to consider this feature and decide if the illiquidity premium is acceptable and whether having some liquidity is justified.

RISK PROFILE

With upfront capital calls in semi-liquid funds, the investment manager must deploy the capital fully. As mentioned, managers unable to invest quickly into private markets may invest elsewhere, such as mainstream asset classes. Inevitably, such exposure could increase the correlation to traditional markets. Understanding how such exposure affects the risk profile warrants some consideration by investors.

VALUATION

Confidence and accurately calculating valuations for both incoming and exiting investors is paramount in semi-liquid structures. For instance, issues could arise if investors exit at heightened valuations and this occurs at the expense of remaining investors. Likewise, investors coming in at undervalued entry points could disadvantage other fund participants. Valuation issues can, of course, be mitigated through appropriate valuation procedures. Investors should test the procedures through the due diligence process and select only those strategies that display a consistent

ability to price investments in a fair manner for all investors.

Like semi-liquid structures, reliable valuation methods for closed-end funds are also key. However, the more synchronous nature of calling and distributing capital to all fund investors on a simultaneous basis reduces the complexity on pricing that is faced by semi-liquid funds.

REDEMPTION BENEFITS

Investors will always find the ability to make redemptions at their own discretion to be an attractive feature. Semi-liquid structures facilitate choice in redemptions compared to less liquid conventional private market solutions. Specifically, semi-liquid funds feature an option that allows periodic redemptions, typically on a quarterly basis subject to fund level gates (a mechanism in place to restrict redemptions when over a set percentage). The redemption mechanism lets fund managers pay out cash in an orderly fashion, giving investors the option to adjust their exposure over time and to tap liquidity from a hitherto less liquid solution.

Other liquidity provision mechanisms include subscriptions replacing redemptions and, in some cases, credit lines; both, while helpful, should not be fully depended on.

Investors should assess the redemption options to determine what is most appropriate for their needs. They must also consider any potential trade-offs in their sought-after illiquidity premium and whether they believe they will receive a commensurate level of return and risk. Answers will vary for each semi-liquid strategy and individual investor appetite.

OTHER INVESTOR BEHAVIOR

By introducing additional liquidity demands, manager behavior may change and influence the fund's risk-and-return profile. In a semi-liquid structure, the manager may be under pressure to deploy cash quickly to avoid cash drag and in response lower underwriting standards. They may also need to satisfy redemptions by selling to meet investor orders. In contrast, more traditional structures grant managers the flexibility to deploy and liquidate as they see fit over time.

Consequently, the investment process is not as straightforward for the semi-liquid fund manager. They have to employ a disciplined approach to asset sales in order to avoid becoming a forced seller. Gating mechanisms, which allow managers to limit redemptions, do help with this. However, they may risk some client dissatisfaction if mishandled. Managers can also mitigate liquidity risks by having a diversified investor base.

Popularity in Private Credit

Private credit is a growing private markets segment with assets under management and committed dry power

DISPLAY 3
Key differences

Semi-liquid funds	Closed-end funds
▪ **RETURNS:** A portion of capital is typically held as cash and/or public investments in a liquidity sleeve, which implies that a slice of fund returns derive from mainstream markets.	▪ Fund managers try to maximize clients' IRR and MOIC by calling capital to invest only when the best opportunities come to market.
▪ **RISK:** Correlations for assets held in the liquidity sleeve may be higher to traditional assets versus the fund's private market holdings.	▪ Public asset holdings are limited compared to semi-liquid vehicles, which should deliver an extra degree of diversification to traditional assets.
▪ **VALUATION:** Clear, reliable valuation procedures are critical for fair treatment on pricing for incoming and outgoing investors.	▪ Closed-end funds face less complexity on valuing assets, given the relatively straightforward pattern of a fund's contribution and distribution schedule.
▪ **REDEMPTIONS:** For investors, redemption mechanisms provide greater flexibility in redeeming capital on a more predictable and regular basis.	▪ The frequency of distributions typically depends on when assets held in the fund are realized, which can be difficult for investors to time.
▪ **INVESTOR BEHAVIOR:** Managers must balance the need for liquidity availability with holding less liquid assets in the portfolio, which places added emphasis on discipline in buying and selling.	▪ The reduced pressure to maintain liquidity provides managers greater flexibility for choosing when to buy and sell their private market holdings.

valued at roughly $1.7 trillion in the U.S. alone.[3]

Semi-liquid vehicles are becoming part of this growth story, helped by rising numbers of fund launches in recent years, particularly over 2020 to 2023 *(Display 4)*.

While the availability of semi-liquid funds is increasing across private markets, private credit has been the fastest growing segment to date. The principal investment structures include BDCs, European Long-Term Investment Funds (ELTIF), interval funds and tender offers. Part II SICAV structures are also becoming recognized and available in Europe and Asia.

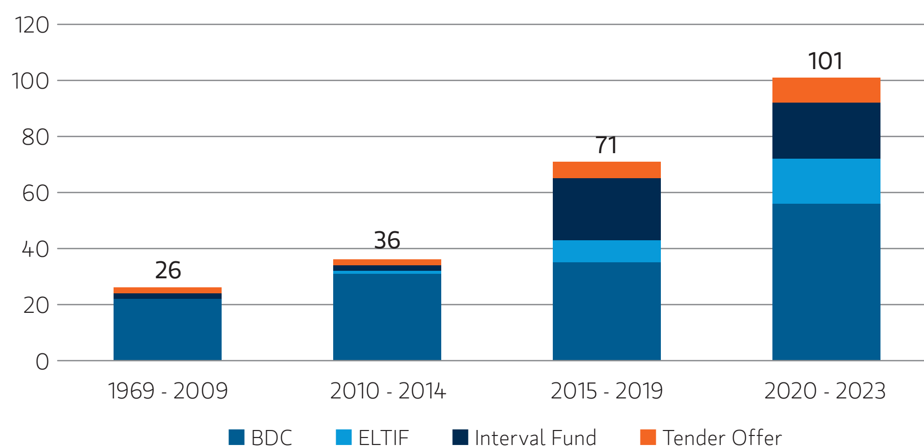
That the asset class has seen such strong growth is not surprising. Private credit securities exhibit several characteristics that are well suited to a semi-liquid structure, including:

- contractual payouts through regular coupons
- known liquidity through return of principal at term
- consistent valuation through standardized metrics

DISPLAY 4

Private credit funds proliferate to meet investor demand

Private credit fund launches



Source: Preqin, Morgan Stanley Investment Management. As of December 31, 2023.

Conclusion

The growth of semi-liquid funds is likely to continue and, as highlighted, there are many positives for investors seeking exposure to private markets through these vehicles. Importantly, there are a number of key differences when compared to traditional closed-end funds that merit investor consideration. Investors should also consider the investment characteristics of individual asset classes within an open-ended structure and how an allocation could complement their overall strategy. The availability of semi-liquid vehicles is rising across the alternatives space, with their largest increase in private credit. While this isn't surprising, given the asset class's suitability for these structures, we believe it is only the start of a longer-term secular trend across private markets. Simply put, wealth investors, like their institutional peers, want access to private markets' potential return and diversification benefits—and now that's becoming possible.

[3] Morgan Stanley. Private Credit Tracker. As of July 29, 2024.

Risk Considerations

Alternative investments 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 long-term investors willing to forego liquidity and put capital at risk for an indefinite period of time. Alternative investments are typically highly illiquid—there is no secondary market for private funds, and there may be restrictions on redemptions or assigning or otherwise transferring investments into private funds. Alternative investment funds often engage in leverage and other speculative practices that may increase volatility and risk of loss. Alternative investments typically have higher fees and expenses than other investment vehicles, and such fees and expenses will lower returns achieved by investors.

In the ordinary course of its business, Morgan Stanley engages in a broad spectrum of activities including, among others, financial advisory services, investment banking, asset management activities and sponsoring and managing private investment funds. In engaging in these activities, the interest of Morgan Stanley may conflict with the interests of clients.

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 your specific circumstances; accordingly, you should consult your own tax, legal or other advisors, at both the outset of any transaction and on an ongoing basis, to determine such suitability. No investment should be made without proper consideration of the risks and advice from your tax, accounting, legal or other advisors as you deem appropriate.

Morgan Stanley is a full-service securities firm engaged in a wide range of financial services including, for example, securities trading and brokerage activities, investment banking, research and analysis, financing and financial advisory services. Morgan Stanley Investment Management is the asset management division of Morgan Stanley.

IMPORTANT NOTICE

The sole purpose of this material is to inform, and it in no way is intended to be an offer or solicitation to purchase or sell any security, other investment or service, or to attract any funds or deposits. Investments mentioned may not be appropriate for all clients. Any product discussed herein may be purchased only after a client has carefully reviewed the offering memorandum and executed the subscription documents.

There is no guarantee that any investment strategy will work under all market conditions, and each investor should evaluate their ability to invest for the long-term, especially during periods of downturn in the market.

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.

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.

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.

The Firm has not authorized financial intermediaries to use and to distribute this material unless such use and distribution is made in accordance with applicable law and regulation. Additionally, financial intermediaries are required to satisfy themselves that the information in this material is appropriate for any person to whom they provide this material in view of that person's circumstances and purpose. The Firm shall not be liable for, and accepts no liability for, the use or misuse of this material by any such financial intermediary.

This material may be translated into other languages. Where such a translation is made this English version remains definitive. If there are any discrepancies between the English version and any version of this material in another language, the English version shall prevail.

The whole or any part of this material may not be directly or indirectly reproduced, copied, modified, used to create a derivative work, performed, displayed, published, posted, licensed, framed, distributed, or transmitted or any of its contents disclosed to third parties without the Firm's express written consent. This material may not be linked to unless such hyperlink is for personal and non-commercial use. All information contained herein is proprietary and is protected under copyright and other applicable law.

Eaton Vance is part of Morgan Stanley Investment Management. Morgan Stanley Investment Management is the asset management division of Morgan Stanley.

DISTRIBUTION

This material is only intended for and will only be distributed to persons resident in jurisdictions where such distribution or availability would not be contrary to local laws or regulations.

MSIM, the asset management division of Morgan Stanley (NYSE: MS), and its affiliates have arrangements in place to market each other's products and services. Each MSIM affiliate is regulated as appropriate in the jurisdiction it operates. MSIM's affiliates are: Eaton Vance Management (International) Limited, Eaton Vance Advisers International Ltd, Calvert Research and Management, Eaton Vance Management, Parametric Portfolio Associates LLC, and Atlanta Capital Management LLC.

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 24-26 City Quay, Dublin 2, D02 NY 19, 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. **Germany**: MSIM FMIL (Frankfurt Branch), Grosse Gallusstrasse 18, 60312 Frankfurt am Main, Germany (Gattung: Zweigniederlassung (FDI) gem. § 53b KWG). **Denmark**: MSIM FMIL (Copenhagen Branch), Gorrissen Federspiel, Axel Towers, Axeltorv2, 1609 Copenhagen V, Denmark.

MIDDLE EAST

Dubai: MSIM Ltd (Representative Office, Unit Precinct 3-7th Floor-Unit 701 and 702, Level 7, Gate Precinct Building 3, Dubai International Financial Centre, Dubai, 506501, United Arab Emirates. Telephone: +97 (0)14 709 7158). This document is distributed in the Dubai International Financial Centre by Morgan Stanley Investment Management Limited (Representative Office), an entity regulated by the Dubai Financial Services Authority ("DFSA"). It is intended for use by professional clients and market counterparties only. This document is not intended for distribution to retail clients, and retail clients should not act upon the information contained in this document.

This document relates to a financial product which is not subject to any form of regulation or approval by the DFSA. The DFSA has no responsibility for reviewing or verifying any documents in connection with this financial product. Accordingly, the DFSA has not approved this document or any other associated documents nor taken any steps to verify the information set out in this document and has no responsibility for it. The financial product to which this document relates may be illiquid and/or subject to restrictions on its resale or transfer. Prospective purchasers should conduct their own due diligence on the financial product. If you do not understand the contents of this document, you should consult an authorized financial adviser.

US

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

Latin America (Brazil, Chile Colombia, Mexico, Peru, and Uruguay)

This material is for use with an institutional investor or a qualified investor only. All information contained herein is confidential and is for the exclusive use and review of the intended addressee and may not be passed on to any third party. This material is provided for informational purposes only and does not constitute a public offering, solicitation, or recommendation to buy or sell for any product, service, security and/or strategy. A decision to invest should only be made after reading the strategy documentation and conducting in-depth and independent due diligence.

ASIA PACIFIC

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 may not be circulated or distributed, whether directly or indirectly, to persons in Singapore other than to (i) an accredited investor (ii) an expert investor or (iii) an institutional investor as defined in Section 4A of the Securities and Futures Act, Chapter 289 of Singapore ("SFA"); or (iv) 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 provided by Morgan Stanley Investment Management (Australia) Pty Ltd ABN 22122040037, AFSL No. 314182 and its affiliates and does not constitute an offer of interests. Morgan Stanley Investment Management (Australia) Pty Limited arranges for MSIM affiliates to provide financial services to Australian wholesale clients. Interests will only be offered in circumstances under which no disclosure is required under the Corporations Act 2001 (Cth) (the "Corporations Act"). Any offer of interests will not purport to be an offer of interests in circumstances under which disclosure is required under the Corporations Act and will only be made to persons who qualify as a "wholesale client" (as defined in the Corporations Act). This material will not be lodged with the Australian Securities and Investments Commission.

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 2.20% 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

© 2024 Morgan Stanley. Morgan Stanley Distribution, Inc.

RO 3949953 Exp. 11/15/2025 24Q40113_KC_1024 LTR