

Morgan Stanley

Bank of America Merrill Lynch Future of Financials Conference

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Notice

The information provided herein includes certain non-GAAP financial measures. The definition of such measures and/or the reconciliation of such measures to the comparable U.S. GAAP figures are included in this presentation, or in the Morgan Stanley's (the "Company") Annual Report on Form 10-K, Definitive Proxy Statement, Quarterly Reports on Form 10-Q and the Company's Current Reports on Form 8-K, as applicable, including any amendments thereto, which are available on www.morganstanley.com.

This presentation may contain forward-looking statements including the attainment of certain financial and other targets, and objectives and goals. You are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date on which they are made, which reflect management's current estimates, projections, expectations, assumptions, interpretation or beliefs and which are subject to risks and uncertainties that may cause actual results to differ materially. The Company does not undertake to update the forward-looking statements to reflect the impact of circumstances or events that may arise after the date of forward-looking statements. For a discussion of risks and uncertainties that may affect the future results of the Company, please see the Company's most recent Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, as applicable, which are available on www.morganstanley.com. This presentation is not an offer to buy or sell any security.

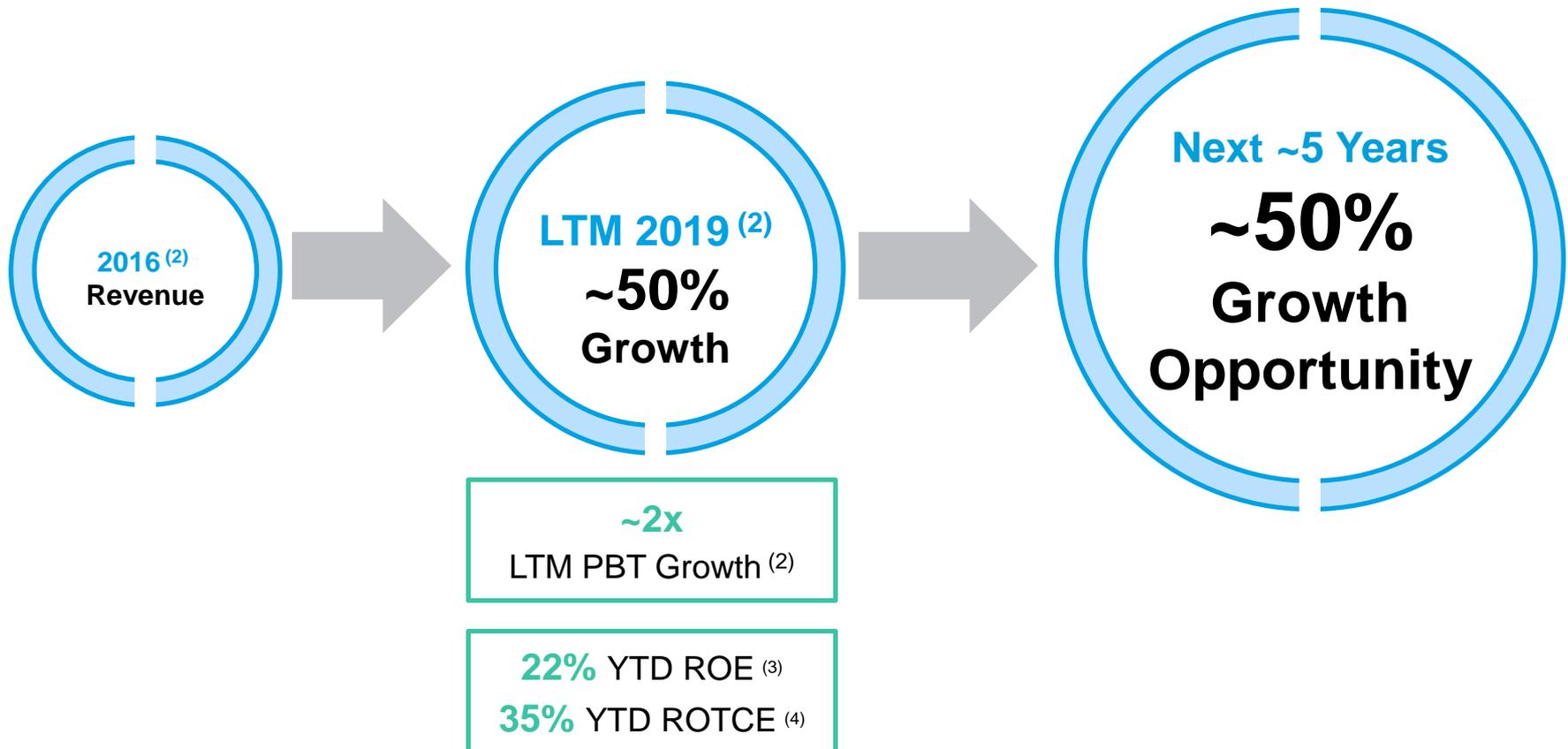
The End Notes are an integral part of this presentation. See slides 17 - 19 at the back of this presentation for information related to the financial metrics and defined terms in this presentation.

Please note this presentation is available at www.morganstanley.com.

Investment Management Strategy: Executing on the Next 50%

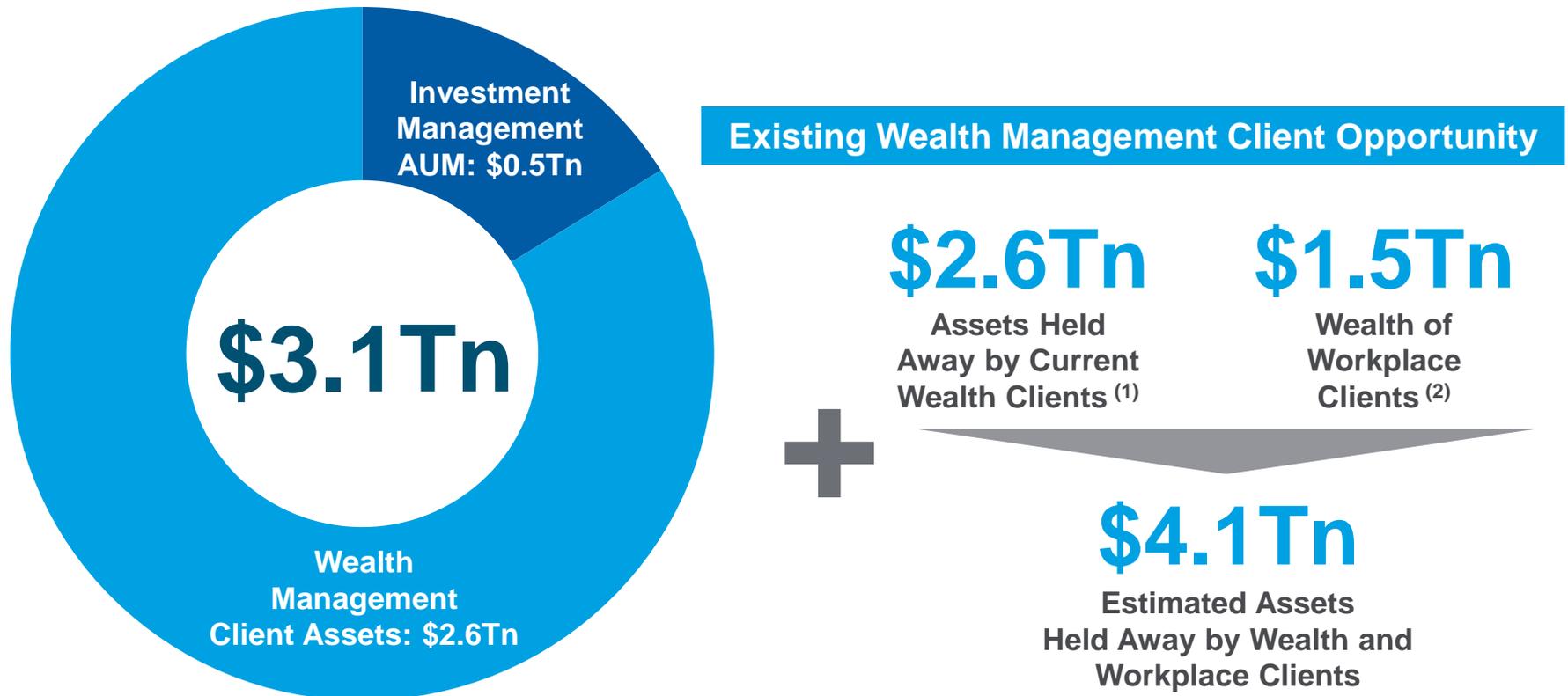
Morgan Stanley Investment Management Revenue Growth Opportunity

Industry CAGR: ~1-2% ⁽¹⁾



The Reach and Power of Wealth and Investment Management

Client Assets and Assets Under Management as of 3Q 2019



Large, Fragmented Active Asset Management Industry

Active Asset Management Total Addressable Market ⁽¹⁾

Assets Under Management

~\$60Tn

Represents **~75%** of the industry assets under management

Revenue

\$300Bn+

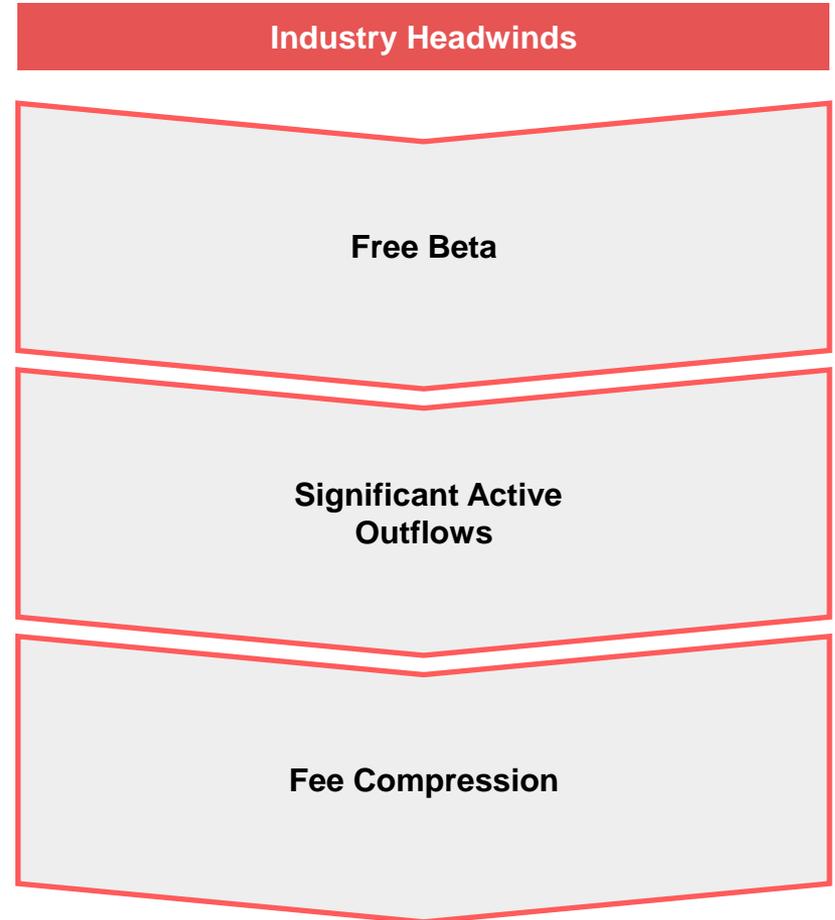
Represents **~95%** of the industry revenue pool

Fragmentation

~3%

Top **5** active managers average market share by assets under management

Gaining Share During Period of Industry Disruption



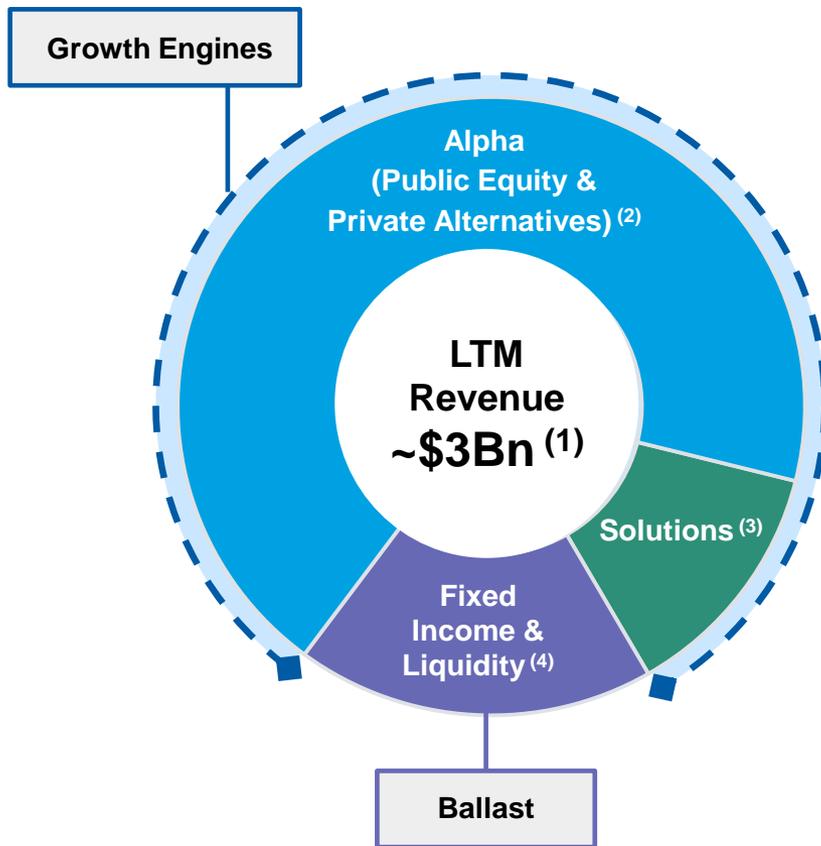
Morgan Stanley Investment Management: Positioned for Growth

Morgan Stanley Differentiation

Public & Private Markets Balance

Global & Broad Client Footprint

Synergies with Wealth Management & Institutional Securities Groups



Revenue Growth: World Class New Product Capabilities

New Products & Strategies: Significant Growth Contributor Since 2016⁽¹⁾

Public Markets

- Hong Kong Global Equities
- Ultra Short Fixed Income

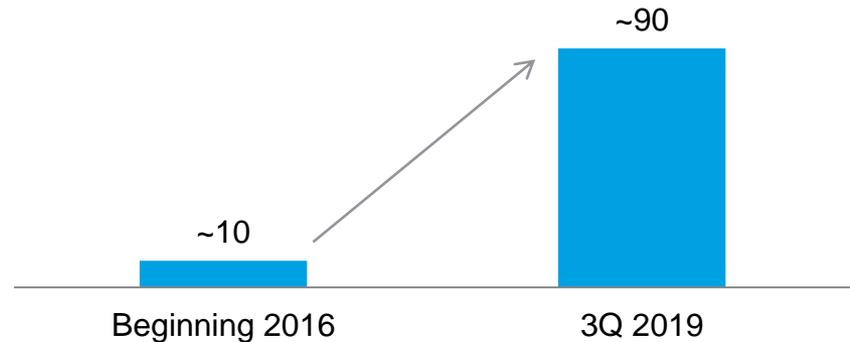
Private Alternatives

- Single Country Private Equity
- Tactical Opportunities
- Private Equity Coinvestment
- Transformational Secondaries
- International Core Real Estate
- Real Estate Credit
- Private Corporate Credit

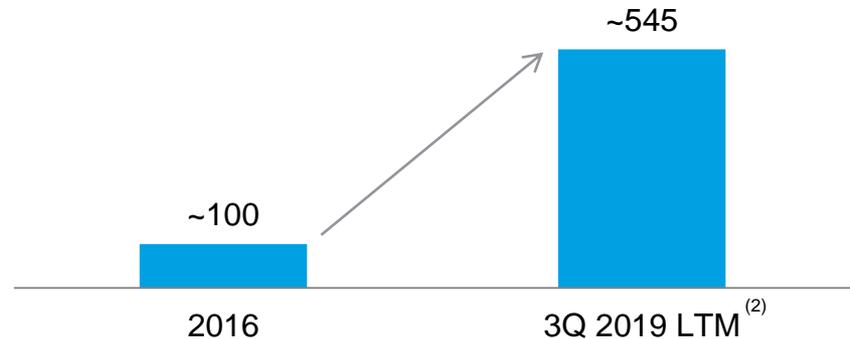
Solutions

- Balanced Risk
- Outsourced CIO

AUM (\$Bn)

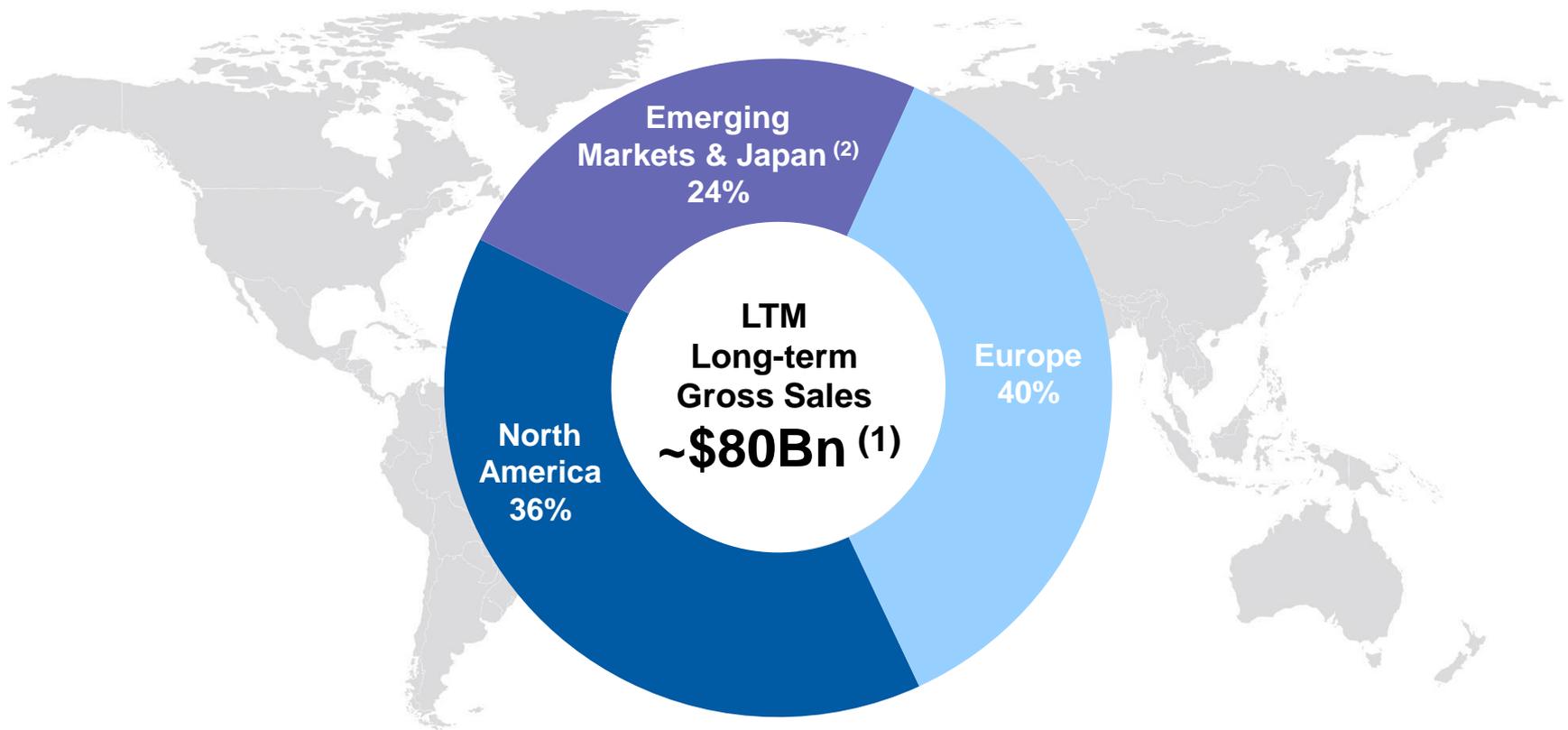


Revenue (\$MM)



Extensive Global Reach and Capabilities

Strong International Distribution Driving ~65% of Gross Sales ⁽¹⁾



Public Alpha: High Conviction Public Equites

Exceptional Performance Driving Strong Organic Growth

Delivering High Conviction Alpha...

Top 1%

Percentile Performance Across 5
Active Equity Funds, 3 Year ⁽¹⁾⁽²⁾

100%

Global Equity Fund AUM
Outperforming Benchmark by
300bps+ Annualized over 3 Years ⁽³⁾⁽⁴⁾

...Driving Substantial Asset Growth and
Maintaining Price Stability

#1

Active Equities Net Flows % Since 2017 ⁽¹⁾⁽⁵⁾

Active Equity AUM ⁽⁶⁾

\$83Bn

69bps ⁽⁷⁾

2015

\$126Bn

76bps ⁽⁷⁾

3Q 2019

Public Alpha: Scaling Strong Performing Equity Strategies

Case Study: Opportunity Fund Series (Hong Kong) ⁽¹⁾

AUM
Beginning 2015
\$0.2Bn



AUM
3Q 2019
\$26Bn

Strategy	Performance	
	5 Year Rank ⁽²⁾	5 Year Alpha ⁽³⁾
Global Opportunity	1	+900bps
International Opportunity	2	+940bps
Asia Opportunity ⁽⁴⁾	1	+1,520bps

Next Generation of Product Extensions: Strong Performance, Distinct Talent, and Significant Capacity

Global Sustain ⁽⁵⁾
(London)

\$680MM
in AUM

236bps
of Annualized Outperformance ⁽⁶⁾

Global Advantage ⁽⁵⁾
(New York)

\$345MM
in AUM

458bps
of Annualized Outperformance ⁽⁶⁾

Developing Opportunity ⁽⁵⁾
(Hong Kong)

\$1.1Bn
in AUM

1,354bps
of Annualized Outperformance ⁽⁶⁾

Alpha: Diverse Alternatives Client Franchise

Scaled Platform

\$100Bn+

Client Capital in Alternatives⁽¹⁾

Raising Client Capital

~\$20Bn

Capital Raised in Alternatives Since Beginning 2018 through 3Q 2019

Premier Private Real Asset Franchise

~\$50Bn

Client Capital in Premier Private Real Assets Franchise⁽¹⁾⁽²⁾

Alpha: Private Alternatives Growth Trajectory

Capitalize on Competitive Advantages and Secular Growth Dynamics

	Key Strategies	Key Growth Drivers	Medium-Term Opportunity
Private Equity ⁽¹⁾	<ul style="list-style-type: none"> • Corporate Buyout • Tactical / Growth • Real Assets 	<ul style="list-style-type: none"> • Performance Driven • Mid-Market / Special Situations • Vintage Size Growth • New Strategies 	<p>3x</p> <p>2016 Vintage Level ⁽²⁾</p>
Private Credit ⁽¹⁾	<ul style="list-style-type: none"> • Corporate • Real Estate 	<ul style="list-style-type: none"> • New Hires • New Strategies • Leverage MS Position in PE Ecosystem • Capitalize on Real Assets Franchise 	<p>\$20Bn</p> <p>Client Capital ⁽³⁾</p>
Core Real Estate ⁽¹⁾	<ul style="list-style-type: none"> • U.S. • International 	<ul style="list-style-type: none"> • Premier Franchise • Strategy Extensions • Stability of Revenue 	<p>3x</p> <p>2016 Client Capital ⁽⁴⁾</p>

Solutions: Differentiated Multi-Asset Solutions Platform

~\$43Bn Assets in Solutions-Based Investing Delivered to Global Clients ⁽¹⁾

~\$5Bn in Multi-Asset Client Partnership Mandates Won in Last 9 Months ⁽²⁾

Products

Engagement & Service

**Global
Balanced Risk
Strategies**

**Tactical Asset
Allocation
Partnerships**

**Outsourced
Chief Investment
Officer (OCIO)**

**Wealth
Management
Solutions**

**Strategic
Relationship
Management**

Wealth Management & Institutional Securities Group Synergies

Wealth Management

AUM for Clients of WM increased **65%⁽¹⁾**
~40% Increase in FAs Using MSIM Products⁽²⁾

**Deep Alternatives
Partnership**

**Focus on
Wealth Management Solutions**

Institutional Securities Group

Clients

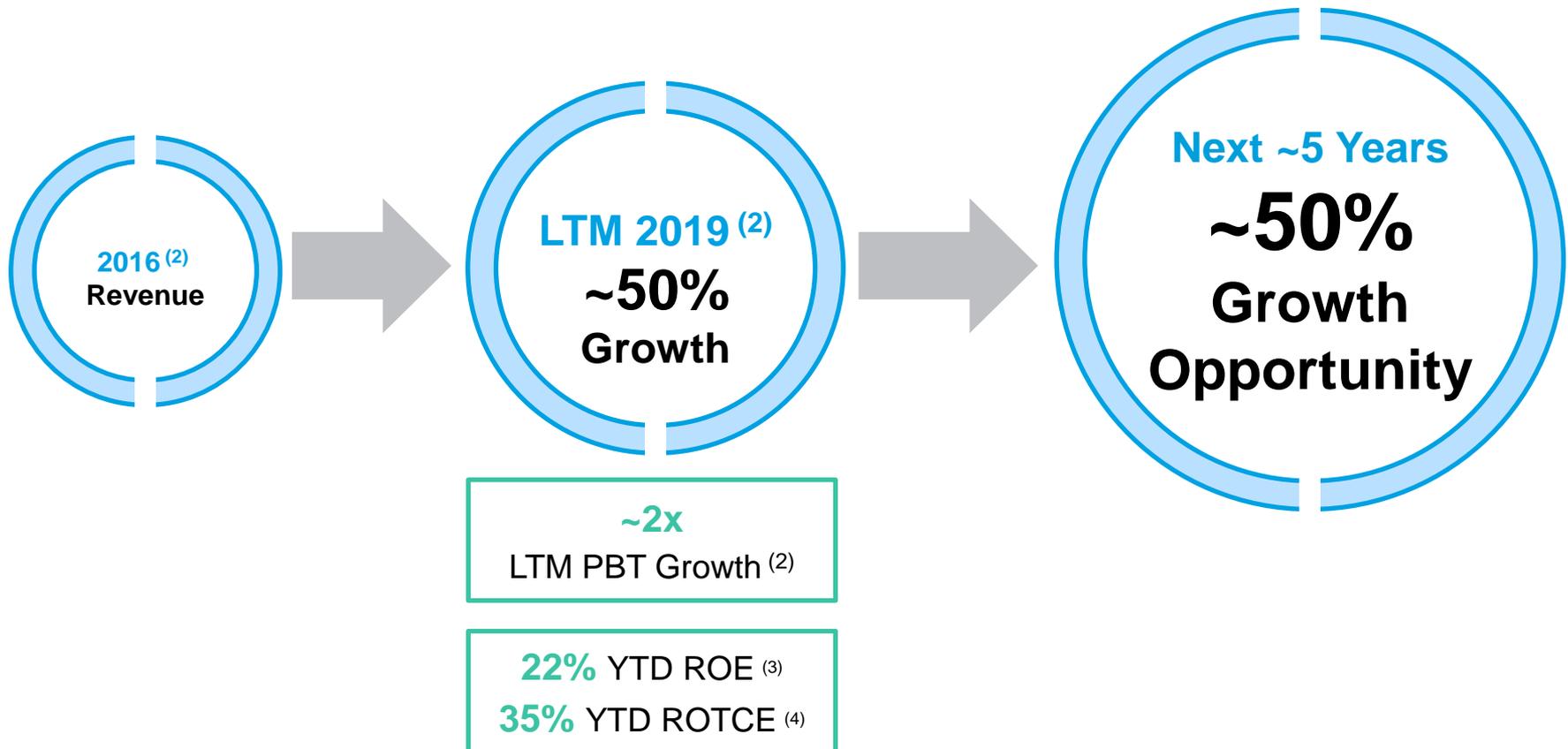
Talent

**Product Development
+
M&A**

Investment Management Strategy: Executing on the Next 50%

Morgan Stanley Investment Management Revenue Growth Opportunity

Industry CAGR: ~1-2% ⁽¹⁾



End Notes

These notes refer to the financial metrics and/or defined term presented on Slide 3

1. Source: Oliver Wyman Analysis within 2018 co-authored BluePaper by Oliver Wyman and Morgan Stanley Research: "Searching for Growth in an Age of Disruption" (Oliver Wyman Analysis)
2. Revenue and Profit Before Tax (PBT) growth represents growth from the full year 2016 compared to the last twelve months (LTM) as of September 30, 2019; PBT represents income (loss) from continuing operations before taxes. PBT and LTM are a non-GAAP financial measures that the Firm considers useful for analysts, investors and other stakeholders to assess operating performance
3. Represents 2019 YTD (through Q3) annualized return on average common equity (ROE). The calculation of annualized ROE for the Investment Management (IM) segment uses net income applicable to Morgan Stanley from IM less preferred dividends allocated to IM as a percentage of average common equity allocated to IM. The Firm's capital estimation and attribution to business segments are based on the Required Capital Framework, an internal capital adequacy measure. This framework is a risk based and leverage use-of-capital measure, which is compared with the Firm's regulatory capital to ensure that the Firm maintains an amount of going concern capital after absorbing potential losses from stress events, where applicable, at a point in time. The common equity estimation and attribution to business segments is based on the Firm's fully phased-in regulatory capital requirements, including supplementary leverage, and incorporates the Firm's internal stress tests. ROE is a non-GAAP financial measure that the Firm considers useful for analysts, investors and other stakeholders to assess operating performance
4. Represents 2019 YTD (through Q3) annualized return on average tangible common equity (ROTCE). The calculation of annualized ROTCE for the IM segment uses net income applicable to Morgan Stanley from IM less preferred dividends allocated to IM as a percentage of average tangible common equity allocated to IM. Average tangible common equity represents average common equity adjusted to exclude goodwill and intangible assets net of allowable mortgage servicing rights deduction. The adjustments to average IM common equity are as follows: 3Q19: \$940MM. ROTCE is a non-GAAP financial measure that the Firm considers useful for analysts, investors and other stakeholders to assess operating performance

These notes refer to the financial metrics and/or defined term presented on Slide 4

1. Estimated \$2.6Tn asset consolidation opportunity per data compiled by IXI as of December 2018
2. Estimated \$1.5Tn represents total Wealth Management (WM) assets held away by current participants, which includes both Morgan Stanley participants and participants of Solium Capital prior to its acquisition by Morgan Stanley, as estimated using data from IXI

These notes refer to the financial metrics and/or defined term presented on Slide 5

1. Source: Oliver Wyman Analysis

These notes refer to the financial metrics and/or defined term presented on Slide 7

1. LTM of revenues as of September 30, 2019; LTM is a non-GAAP financial measure that the Firm considers useful for analysts, investors and other stakeholders to assess operating performance
2. "Alpha" includes public equity strategies reported under the "Equity" category and real assets, private equity and credit strategies reported under the "Alternative/Other" category as of September 30, 2019 in Morgan Stanley's Quarterly Report on Form 10-Q for the quarter ended September 30, 2019 (3Q Form 10-Q)
3. "Solutions" includes multi-asset portfolio strategies and fund of funds reported under the "Alternative/Other" category as of September 30, 2019 in Morgan Stanley's 3Q Form 10-Q
4. "Fixed Income & Liquidity" includes strategies reported under the "Fixed income" and "Liquidity" categories as of September 30, 2019 in Morgan Stanley's 3Q Form 10-Q

End Notes

These notes refer to the financial metrics and/or defined term presented on Slide 8

1. "New Products & Strategies" include strategies under the "Equity", "Liquidity" and "Alternative/Other" categories as of September 30, 2019 in Morgan Stanley's 3Q Form 10-Q
2. LTM of revenues as of 9/30/2019; LTM is a non-GAAP financial measure that the Firm considers useful for analysts, investors and other stakeholders to assess operating performance

These notes refer to the financial metrics and/or defined term presented on Slide 9

1. Represents last twelve months long-term gross sales excluding Money Market Funds by sales team geographic region as of September 30, 2019. Gross Sales represent client inflows only, including both new client assets and current clients adding additional assets; LTM is a non-GAAP financial measure that the Firm considers useful for analysts, investors and other stakeholders to assess operating performance
2. "Emerging Markets & Japan" includes Asia including Japan, Latin America and the Middle East

These notes refer to the financial metrics and/or defined term presented on Slide 10

1. "Active Equities" is reported under the "Equity" category as of September 30, 2019 in Morgan Stanley's 3Q Form 10-Q
2. Percentile rankings by Morningstar over 3 year period for I share class as of September 30, 2019
3. "Global Equity" is reported under the "Equity" category as of September 30, 2019 in Morgan Stanley's 3Q Form 10-Q
4. MSCI AC World Net Index (USD) is the relevant benchmark for the 4 global equity funds under Active Fundamental Equity
5. Defined as net flows measured in billions of U.S. dollars as a percentage of beginning of period AUM. Metric represents a comparative against peers. Peers are based on U.S. publicly traded Asset Managers with Active Equity AUM greater than \$100Bn as of September 30, 2019: Affiliated Managers Group, Alliance Bernstein, Artisan Partners, BlackRock (active equities flows), BrightSphere, Franklin Resources, Invesco (active equities flows), Janus Henderson, Legg Mason, T. Rowe Price or as of July 31, 2019: Eaton Vance; Please also refer to Morgan Stanley presentation at the Barclays Global Financial Services Conference dated September 11, 2019, which is available on www.morganstanley.com
6. "Active Equity" is reported under the "Equity" category as of September 30, 2019 in Morgan Stanley's 3Q Form 10-Q and December 31, 2015 in Morgan Stanley's Annual Report on Form 10-K for the year ended December 31, 2015. Please refer to Morgan Stanley presentation at the Barclays Global Financial Services Conference dated September 11, 2019, which is available on www.morganstanley.com
7. Represents gross management and admin fees within the Equity asset class for full year 2015 compared with the first nine months of 2019

These notes refer to the financial metrics and/or defined term presented on Slide 11

1. "Opportunity Fund" is reported under the "Equity" category as of September 30, 2019 in Morgan Stanley's 3Q Form 10-Q and December 31, 2014 in Morgan Stanley's Annual Report on Form 10-K for the year ended December 31, 2014
2. Represents 5 year percentile rank in Morningstar category for the strategy's U.S. mutual fund iShares class as of September 30, 2019
3. Alpha represents the excess return of the U.S. mutual fund offering over the benchmark returns for a 5 year period as of September 30, 2019
4. Represents 3 year track record as of September 30, 2019
5. "Global Sustain", "Global Advantage" and "Developing Opportunity" are reported under the "Equity" category as of September 30, 2019 in Morgan Stanley's 3Q Form 10-Q
6. Performance is net of fees since inception (Global Sustain – April 2018; Global Advantage – December 2010; Developing Opportunity – December 2017)

These notes refer to the financial metrics and/or defined term presented on Slide 12

1. Includes client assets under management, unfunded commitments, and co-investments as of September 30, 2019
2. "Private Real Assets" is reported under the "Alternative/Other" category as of September 30, 2019 in Morgan Stanley's 3Q Form 10-Q

End Notes

These notes refer to the financial metrics and/or defined term presented on Slide 13

1. "Private Equity", "Private Credit" and "Core Real Estate" are reported under the "Alternative / Other" category as of September 30, 2019 in Morgan Stanley's 3Q Form 10-Q
2. Multiple represents the estimated capital raised by the latest vintage of Private Equity strategies in the medium term (5-7 years) in comparison to the amount raised by 2016 vintage
3. Based on medium term (5-7 years) estimate of client assets under management, unfunded commitments and co-investments
4. Multiple represents the estimated Core Real Estate AUM in the medium term (5-7 years) in comparison to the AUM in 2016

These notes refer to the financial metrics and/or defined term presented on Slide 14

1. "Solutions-Based Investing" is reported under the "Alternative / Other" category as of September 30, 2019 in Morgan Stanley's 3Q Form 10-Q
2. Represents client mandates won and funded by the Solutions-Based Investing team; Solutions-Based Investing is reported under the "Alternative/Other" category as of September 30, 2019 in Morgan Stanley's 3Q Form 10-Q

These notes refer to the financial metrics and/or defined term presented on Slide 15

1. Analysis does not include approximately \$18Bn of Investment Management liquidity product AUM outflows in 2018 related to the redesign of our Brokerage sweep deposit program
2. Represents growth in the number of advisors using IM products in their client portfolios during the first nine months through September 30, 2019 vs. the first nine months through September 30, 2017

These notes refer to the financial metrics and/or defined term presented on Slide 16

1. Source: Oliver Wyman Analysis
2. Revenue and Profit Before Tax (PBT) growth represents growth from the full year 2016 compared to the last twelve months (LTM) of revenues as of September 30, 2019; PBT represents income (loss) from continuing operations before taxes. PBT and LTM are a non-GAAP financial measures that the Firm considers useful for analysts, investors and other stakeholders to assess operating performance
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