UMA Model Portfolios
Professional Advice for Your Unified Managed Account
The introduction of unified managed accounts has helped many investors to consolidate and streamline their investment portfolios. However, determining an asset allocation model and then choosing complementary investment products across a range of product types with varying fees, risk-return profiles, investment disciplines and holdings can still remain a complex and challenging process.

Developed by Consulting Group, the managed money unit of Morgan Stanley, the **Firm Discretionary UMA Model Portfolios** address these concerns by combining the efficiencies of our unified managed account program with professional asset allocation advice, portfolio construction and investment product selection.
THE ADVANTAGE OF ADVICE / P3 / Model portfolios leverage the firm’s resources across a range of investment services.

THE IMPORTANCE OF ASSET ALLOCATION / P4 / Both strategic and tactical asset allocation models are available to help clients build diversified portfolios.

RISK MANAGEMENT AND PORTFOLIO CONSTRUCTION / P9 / An experienced investment team evaluates and selects the investment products for each set of model portfolios.
Focus
The Advantage of Advice

Model portfolios combine asset allocation models with recommended investment products for each asset class in the models. When paired with Consulting Group’s robust unified managed account framework, they provide an efficient and effective way for investors to tap into Morgan Stanley’s capabilities across a wide range of disciplines.

A unified managed account (UMA) is designed to integrate a variety of investment products and services within a single account structure, providing you with a comprehensive, unified approach to asset allocation, product selection, account administration and performance reporting.

Our Firm Discretionary UMA Model Portfolios program includes mutual-fund-only portfolios, exchange-traded-fund-only portfolios and portfolios that may contain a mix of separately managed accounts, mutual funds and exchange-traded funds. A separate team at Consulting Group, Portfolio Advisory Services, leverages the firm’s thinking on asset allocation, investment manager due diligence and risk management to select the investment products for each set of model portfolios.
The Importance of Asset Allocation

Different asset classes, such as equity and fixed income investments, may respond differently to varying market conditions, and often have different risk and return characteristics as well. Modern theory on portfolio diversification states that appropriate asset allocation—the process of distributing assets across different investment instruments and asset classes—can create portfolios that produce the highest potential returns for a given level of expected risk, as measured by the volatility, or fluctuation, of portfolio value over time.

The Firm Discretionary UMA Model Portfolios program offers the choice of either strategic or tactical asset allocation through two sets of models developed by Morgan Stanley.

**Strategic Asset Allocation Models** incorporate estimates of long-term risk, return and correlation for each potential asset class to develop a series of efficient portfolios with varying degrees of risk.

**Tactical Asset Allocation Models** are based on the strategic models, but are adjusted periodically to reflect the firm’s outlook on what asset classes it believes are likely to outperform or underperform in the upcoming 12 months.
Firm Discretionary UMA Model Portfolios Combine a Range of Investment Features

- Asset allocation models based on the work of the Global Investment Committee, a dedicated team of experienced investment professionals.
- A range of tactical and strategic asset allocation models that may include both traditional and alternative investment strategies.
- Rigorous, ongoing manager research coverage and monitoring of the separately managed accounts, mutual funds and exchange-traded funds utilized in the program.
- Investment product selection driven by an objective portfolio-construction discipline and sophisticated risk-management process.

A disciplined, thoughtful process driven by your goals and objectives.
Model portfolio options that focus on both active and passive investments

Automated tactical rebalancing following changes to the asset allocation models

Periodic portfolio rebalancing to maintain desired asset-class and investment-style allocations

A robust account management framework to oversee the portfolio

Comprehensive, in-depth performance reporting
Risk Management and Portfolio Construction

Portfolio construction is the stage of the investment process at which the expertise and resources available through Consulting Group may provide significant value to investors.

The Portfolio Advisory Services team within Consulting Group combines an objective portfolio construction discipline with a sophisticated risk management process to evaluate and ultimately select the investment products used in the Firm Discretionary UMA Model Portfolios program. Each investment product within a firm-discretionary portfolio is chosen specifically to balance the risk and return profiles of other products in the portfolio—with the goal of optimizing the overall efficiency of the model portfolios.

Investment products chosen are reviewed on an ongoing basis for two reasons: first, to ensure that they continue to meet the same standards for which they were originally selected and, second, to confirm that they remain appropriate for the portfolio given any changes to the asset allocation model or other portfolio investments.
Active vs. Passive Investments

An important consideration when determining investment selection is the choice between active and passive investments—either for individual asset class allocations or for the portfolio as a whole. Changing market cycles, the investor’s time horizon and the volatility, liquidity and efficiency of individual asset classes can all affect the decision whether to choose active or passive investments for your portfolio. Your Financial Advisor can help you determine whether an all-active portfolio, all-passive portfolio or a combination of actively and passively managed investments may be right for you.
Active Management

An actively managed investment relies on the expertise of a portfolio manager to choose the investment’s holdings in an attempt to outperform a predetermined benchmark over the course of a full market cycle. Most separately managed accounts and mutual funds are actively managed.

Passive Management

A passively managed investment is typically designed to mimic a benchmark in an attempt to match the benchmark’s returns before expenses, not exceed them. Most exchange-traded funds are considered passively managed investments.
Consulting Group’s Firm Discretionary UMA Model Portfolios program provides investors with access to a range of services that leverage the firm’s intellectual capital in asset allocation, manager research, investment product selection, portfolio construction and account management. To learn more about the personalized investment consulting available through Morgan Stanley and how it may benefit your portfolio, speak to your Financial Advisor.
All mutual funds and exchange-traded funds (ETFs) are sold by prospectus, which contains more complete information about the fund. Please contact your Financial Advisor for copies. Please read the prospectus and consider the fund’s objectives, risks, charges and expenses carefully before investing. The prospectus contains this and other information about the fund.

Investing in the markets entails the risk of market volatility. The value of all types of investments, including mutual funds and ETFs, may increase or decrease over varying time periods. The value of an investor’s shares will fluctuate and, when redeemed may be worth more or less than the investor’s costs. Investments are not FDIC insured or bank-guaranteed, and investors may lose money.

In the Firm Discretionary UMA Model Portfolios program, alternative investments are limited to US-registered mutual funds, exchange-traded funds and separate account managers that seek to pursue alternative investment strategies or returns utilizing publicly traded securities. Investment products in this category may employ various investment strategies and techniques for both hedging and more speculative purposes such as short-selling, leverage, derivatives and options, which can increase volatility and the risk of investment loss. Alternative investments are not suitable for all investors.

Diversification and asset allocation do not assure a profit or protect against loss. There is no guarantee that past performance information or information relating to return, volatility, style reliability and other attributes will be predictive of future results.

For more information on the Firm Discretionary UMA Model Portfolios program, see the applicable ADV brochure, available from your Financial Advisor or at www.morganstanley.com/adv.