

MORGAN STANLEY  
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**September 2018**

Preliminary Pricing Supplement No. 954

Registration Statement Nos. 333-221595; 333-221595-01

Dated September 4, 2018

Filed pursuant to Rule 424(b)(2)

Morgan Stanley Finance LLC

Structured Investments

Opportunities in Equities, Bonds and Alternative Investments

Market-Linked Notes due June 30, 2020

**Based on the Value of the Morgan Stanley MAP Trend Index**

Fully and Unconditionally Guaranteed by Morgan Stanley

The notes are unsecured obligations of Morgan Stanley Finance LLC (“MSFL”) and are fully and unconditionally guaranteed by Morgan Stanley. The notes will pay no interest and will have the terms described in the accompanying product supplement and prospectus, as supplemented and modified by this document. At maturity, we will pay per note the stated principal amount of \$1,000 plus a supplemental redemption amount, if any, based on the value of the underlying index on the determination date.

The Morgan Stanley MAP Trend Index (the “underlying index”) was established by Morgan Stanley on March 7, 2017 and employs a rules-based quantitative strategy (the “Index Methodology”) that combines a risk-weighted approach to portfolio construction with a momentum-based, or trend-following, asset allocation methodology to construct a notional portfolio. In addition, the strategy imposes an overall volatility-targeting feature upon the resulting portfolio. The goal of the underlying index is to seek positive return opportunities in different market environments based upon recent trends in the underlying assets. The investment assumption underlying the allocation strategy is two-fold: that historical volatility of the underlying assets can be used to risk-weight a portfolio, and that past trends are likely to continue to be a good indicator of the future performance of that portfolio.

The components of the underlying index consist of (i) 20 U.S.-listed exchange traded funds (“ETFs”), representing U.S. and non-U.S. equities, fixed income securities, commodities and real estate, and (ii) the Morgan Stanley Two Year Treasury Index (collectively, the “Index Components”). The notional portfolio constructed by the Index Methodology of Index Components is referred to as the “Asset Portfolio.” The Asset Portfolio will consist of long-only positions in each Index Component, and each Index Component except for the Morgan Stanley Two Year Treasury Index is subject to a maximum exposure cap. The targeted volatility for the underlying index is 5% (the “Volatility Target”).

The underlying index is rebalanced each Strategy Business Day (the “Daily Rebalancing”). Upon each Daily Rebalancing for the underlying index, the Index Methodology uses the pre-assigned Risk Budget assigned to each ETF (as set forth under “Annex A – Morgan Stanley MAP Trend Index – Index Components”) and the volatility for each ETF to make initial base allocations. The Index Methodology then calculates a signal based on the upward or downward trend of each ETF (the “Trend Signal”). The index calculates each Trend Signal by observing two moving averages, one short-term and one long-term, over different look-back periods for each respective ETF. A Trend Signal that converges toward one indicates an upward trend and a Trend Signal that converges toward zero indicates a downward trend. Once the Trend Signal is calculated for each ETF, the previously determined base allocations are scaled by the Trend Signal by allocating more upward-trending securities to the Asset Portfolio. The magnitude of each position taken by the underlying index following the Trend Signal adjustment is then scaled to the Volatility Target based on a pro-rata volatility-scaling that seeks to achieve a balanced level of volatility in the underlying index’s exposure to each of the ETFs.

The underlying index is calculated on an excess return basis, and therefore the level reflects the weighted return of the Asset Portfolio reduced by the return on an equivalent cash investment receiving the 3-month LIBOR. The underlying index performance is further reduced by a servicing cost of 0.85% per annum calculated on a daily basis. For more information, see “Annex A—Morgan Stanley MAP Trend Index” beginning on page 24 and the “Risk Factors—There are risks associated with the underlying index” beginning on page 6.

The notes are for investors who are concerned about principal risk but seek exposure to a multiple asset-linked index, and who are willing to forgo current income in exchange for the repayment of principal at maturity plus the potential to receive a supplemental redemption amount, if any. The notes are notes issued as part of MSFL’s Series A Global Medium-Term Notes program.

**All payments are subject to our credit risk. If we default on our obligations, you could lose some or all of your investment. These notes are not secured obligations and you will not have any security interest in, or otherwise have any access to, any underlying reference asset or assets.**

**SUMMARY TERMS**

<b>Issuer:</b>	Morgan Stanley Finance LLC
<b>Guarantor:</b>	Morgan Stanley
<b>Issue price:</b>	\$1,000 per note (see “Commissions and issue price” below)
<b>Stated principal amount:</b>	\$1,000 per note
<b>Aggregate principal amount:</b>	\$
<b>Pricing date:</b>	September 25, 2018
<b>Original issue date:</b>	September 28, 2018 (3 business days after the pricing date)
<b>Maturity date:</b>	June 30, 2020
<b>Interest:</b>	None
<b>Underlying index:</b>	Morgan Stanley MAP Trend Index The payment due at maturity per \$1,000 stated principal amount will equal:
<b>Payment at maturity:</b>	\$1,000 + supplemental redemption amount, if any.  <i>The payment due at maturity will not be less than \$1,000 per note regardless of the performance of the underlying index.</i>
<b>Supplemental redemption amount:</b>	(i) \$1,000 <i>times</i> (ii) the index percent change <i>times</i> (iii) the participation rate, <i>provided that</i> the supplemental redemption amount will not be less than \$0.
<b>Participation rate:</b>	100%
<b>Maximum payment at maturity:</b>	None

<b>Index percent change:</b>	(final index value – initial index value) / initial index value		
<b>Initial index value:</b>	, which is the index closing value on the pricing date		
<b>Final index value:</b>	The index closing value on the determination date		
<b>Determination date:</b>	June 25, 2020, subject to postponement for non-index business days and certain market disruption events		
<b>CUSIP:</b>	61768DDX0		
<b>ISIN:</b>	US61768DDX03		
<b>Listing:</b>	The notes will not be listed on any securities exchange. Morgan Stanley & Co. LLC (“MS & Co.”), an affiliate of MSFL and a wholly owned subsidiary of Morgan Stanley. See “Supplemental information regarding plan of distribution; conflicts of interest.”		
<b>Agent:</b>	Approximately \$975.30 per note, or within \$15.00 of that estimate. See “Investment Summary” beginning on page 2.		
<b>Estimated value on the pricing date:</b>	Approximately \$975.30 per note, or within \$15.00 of that estimate. See “Investment Summary” beginning on page 2.		
<b>Commissions and issue price:</b>	<b>Price to public<sup>(1)</sup></b>	<b>Agent’s commissions<sup>(2)</sup></b>	<b>Proceeds to us<sup>(3)</sup></b>
<b>Per note</b>	\$1,000	\$	\$
<b>Total</b>	\$	\$	\$

(1) The price to public for investors purchasing the notes in the fee-based advisory accounts will be \$987.50 per note.

Selected dealers and their financial advisors will collectively receive from the agent, MS & Co., a fixed sales commission of \$ for each note they sell; provided that dealers selling to investors purchasing the notes in fee-based (2) advisory accounts will receive a sales commission of \$ per note. See “Supplemental information regarding plan of distribution; conflicts of interest.” For additional information, see “Plan of Distribution (Conflicts of Interest)” in the accompanying product supplement.

(3) See “Use of proceeds and hedging” on page 21.

The notes involve risks not associated with an investment in ordinary debt securities. See “Risk Factors” beginning on page 6.

The Securities and Exchange Commission and state securities regulators have not approved or disapproved these notes, or determined if this document or the accompanying product supplement and prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The notes are not deposits or savings accounts and are not insured by the Federal Deposit Insurance Corporation or any other governmental agency or instrumentality, nor are they obligations of, or guaranteed by, a bank.

You should read this document together with the related product supplement and prospectus, each of which can be accessed via the hyperlinks below. Please also see “Additional Information About the Notes” at the end of this document.

As used in this document, “we,” “us” and “our” refer to Morgan Stanley or MSFL, or Morgan Stanley and MSFL collectively, as the context requires.

**Product Supplement for Equity-Linked Notes dated November 16, 2017** **Prospectus dated November 16, 2017**

Morgan Stanley Finance LLC

Market-Linked Notes due June 30, 2020

Based on the Value of the Morgan Stanley MAP Trend Index

Investment Summary

Market-Linked Notes

The Market-Linked Notes due June 30, 2020 Based on the Value of the Morgan Stanley MAP Trend Index (the “notes”) offer 100% participation in any positive performance of the underlying index. The notes provide investors:

§ an opportunity to gain exposure to the Morgan Stanley MAP Trend Index

§ the repayment of principal at maturity, subject to our credit risk

§ 100% participation in any appreciation of the underlying index over the term of the notes

§ no exposure to any decline of the underlying index if the notes are held to maturity

At maturity, if the underlying index has depreciated or has not appreciated at all, you will receive the stated principal amount of \$1,000 per note, without any positive return on your investment. All payments on the notes, including the repayment of principal at maturity, are subject to our credit risk.

Maturity: Approximately 1.75 years  
Participation rate: 100%  
Interest: None

The Morgan Stanley MAP Trend Index

The Morgan Stanley MAP Trend Index has been developed by and is calculated, published and maintained by Morgan Stanley & Co. LLC. MAP stands for “Multi-Asset Portfolio.” The underlying index employs a rules-based quantitative strategy that combines a risk-weighted approach to portfolio construction with a momentum-based, or trend-following, asset allocation methodology to construct a notional portfolio. In addition, the strategy imposes an overall volatility-targeting feature upon the resulting portfolio.

The goal of the underlying index is to maximize returns for a given level of risk based upon recent trends in the underlying assets. The investment assumption underlying the allocation strategy is two-fold: that historical volatility of the underlying assets can be used to risk-weight a portfolio, and that past trends are likely to continue to be a good indicator of the future performance of that portfolio.

The components of the underlying index consist of (i) 20 U.S.-listed exchange traded funds (“ETFs”), representing U.S. and non-U.S. equities, fixed income securities, commodities and real estate, and (ii) the Morgan Stanley Two Year Treasury Index. The notional portfolio constructed by the Index Methodology of Index Components is referred to as the Asset Portfolio. The Asset Portfolio will consist of long-only positions in each Index Component, and each Index Component except for the Morgan Stanley Two Year Treasury Index is subject to a maximum exposure cap. The targeted volatility for the Index is 5%.

The underlying index is calculated on an excess return basis, and therefore the level is determined by the weighted return of the Asset Portfolio reduced by the return on an equivalent cash investment receiving the 3-month LIBOR. The underlying index performance is further reduced by a servicing cost of 0.85% per annum calculated on a daily basis.

The underlying index is rebalanced each Strategy Business Day. Upon each Daily Rebalancing for the underlying index, the Index Methodology uses the pre-assigned Risk Budget assigned to each ETF and the volatility for each ETF to make initial base allocations. The Index Methodology then calculates a signal based on the upward or downward trend of each ETF. The underlying index calculates each Trend Signal by observing two moving averages, one short-term and one long-term, over different look-back periods for each respective ETF. A Trend Signal that converges toward one indicates an upward trend and a Trend Signal that converges toward zero indicates a downward trend. Once the Trend Signal is calculated for each ETF, the previously determined base allocations are scaled by the Trend Signal by allocating more upward-trending securities to the Asset Portfolio. The magnitude of each position taken by the underlying index following the Trend Signal adjustment is then scaled to the Volatility Target based on a pro-rata volatility-scaling that seeks to achieve a balanced level of volatility in the underlying index’s exposure to each of the ETFs. Once the composition of the Asset Portfolio is determined, the index value is

Morgan Stanley Finance LLC

Market-Linked Notes due June 30, 2020

Based on the Value of the Morgan Stanley MAP Trend Index

equivalent to the sum of each Index Component's market price less the 3-month LIBOR excess return cost and the 0.85% per annum servicing cost.

Please see "Underlying Index" beginning on page 16 for more information about the underlying index.

The original issue price of each note is \$1,000. This price includes costs associated with issuing, selling, structuring and hedging the notes, which are borne by you, and, consequently, the estimated value of the notes on the pricing date will be less than \$1,000. We estimate that the value of each note on the pricing date will be approximately \$975.30, or within \$15.00 of that estimate. Our estimate of the value of the notes as determined on the pricing date will be set forth in the final pricing supplement.

*What goes into the estimated value on the pricing date?*

In valuing the notes on the pricing date, we take into account that the notes comprise both a debt component and a performance-based component linked to the underlying index. The estimated value of the notes is determined using our own pricing and valuation models, market inputs and assumptions relating to the underlying index, instruments based on the underlying index, volatility and other factors including current and expected interest rates, as well as an interest rate related to our secondary market credit spread, which is the implied interest rate at which our conventional fixed rate debt trades in the secondary market.

*What determines the economic terms of the notes?*

In determining the economic terms of the notes, including the participation rate, we use an internal funding rate, which is likely to be lower than our secondary market credit spreads and therefore advantageous to us. If the issuing, selling, structuring and hedging costs borne by you were lower or if the internal funding rate were higher, one or more of the economic terms of the notes would be more favorable to you.

*What is the relationship between the estimated value on the pricing date and the secondary market price of the notes?*

The price at which MS & Co. purchases the notes in the secondary market, absent changes in market conditions, including those related to the underlying index, may vary from, and be lower than, the estimated value on the pricing date, because the secondary market price takes into account our secondary market credit spread as well as the bid-offer spread that MS & Co. would charge in a secondary market transaction of this type and other factors. However, because the costs associated with issuing, selling, structuring and hedging the notes are not fully deducted upon issuance, for a period of up to 6 months following the issue date, to the extent that MS & Co. may buy or sell the notes in the secondary market, absent changes in market conditions, including those related to the underlying index, and to our secondary market credit spreads, it would do so based on values higher than the estimated value. We expect that those higher values will also be reflected in your brokerage account statements.

MS & Co. may, but is not obligated to, make a market in the notes, and, if it once chooses to make a market, may cease doing so at any time.

September 2018 Page 3

Morgan Stanley Finance LLC

Market-Linked Notes due June 30, 2020

Based on the Value of the Morgan Stanley MAP Trend Index

### Key Investment Rationale

Market-Linked Notes offer investors exposure to the performance of the underlying index and provide for the repayment of principal at maturity. They are for investors who are concerned about principal risk but seek exposure to a multiple asset-linked index, who are willing to accept that the underlying index's volatility target feature may reduce upside performance in bullish markets, and who are willing to forgo current income in exchange for the repayment of principal at maturity plus the potential to receive a supplemental redemption amount, if any, based on the performance of the underlying index.

<b>Repayment of Principal</b>	The notes offer investors 100% upside exposure to the performance of the underlying index, while providing for the repayment of principal in full at maturity, subject to our credit risk.
<b>Exposure to the Morgan Stanley MAP Trend Index</b>	The Morgan Stanley MAP Trend Index was established by Morgan Stanley on March 7, 2017 and employs a rules-based quantitative strategy that combines a risk-weighted approach to portfolio construction with a momentum-based, or trend-following, asset allocation methodology to construct a notional portfolio. In addition, the strategy imposes an overall volatility-targeting feature upon the resulting portfolio. The goal of the underlying index is to seek positive return opportunities in different market environments based upon recent trends in the underlying assets. The investment assumption underlying the allocation strategy is two-fold: that historical volatility of the underlying assets can be used to risk-weight a portfolio, and that past trends are likely to continue to be a good indicator of the future performance of that portfolio. See "Annex A—Morgan Stanley MAP Trend Index" beginning on page 24 and the "Risk Factors—There are risks associated with the underlying index" beginning on page 6 for more information.
<b>Upside Scenario</b>	The underlying index increases in value, and, at maturity, the notes pay the stated principal amount of \$1,000 <i>plus</i> 100% of the appreciation of the underlying index. There is no limitation on the appreciation potential.
<b>Par Scenario</b>	The underlying index declines or does not appreciate in value, and, at maturity, the notes pay only the stated principal amount of \$1,000.



Morgan Stanley Finance LLC

Market-Linked Notes due June 30, 2020

Based on the Value of the Morgan Stanley MAP Trend Index

## Hypothetical Payout on the Notes

At maturity, for each \$1,000 stated principal amount of notes that you hold, you will receive the stated principal amount of \$1,000 *plus* a supplemental redemption amount, if any. The supplemental redemption amount will be calculated on the determination date as follows:

(i) \$1,000 *times* (ii) the index percent change *times* (iii) the participation rate of 100%

The payment due at maturity will not be less than \$1,000 per note regardless of the performance of the underlying index.

The table below illustrates the payment at maturity for each note for a hypothetical range of index percent change and does not cover the complete range of possible payouts at maturity. The table assumes a hypothetical initial index value of 200.

<b>Index percent change</b>	<b>Final index value</b>	<b>Stated principal amount</b>	<b>Supplemental redemption amount</b>	<b>Payment at maturity</b>	<b>Return on \$1,000 note</b>
60%	320	\$1,000	\$600	\$1,600	60%
50%	300	\$1,000	\$500	\$1,500	50%
40%	280	\$1,000	\$400	\$1,400	40%
30%	260	\$1,000	\$300	\$1,300	30%
20%	240	\$1,000	\$200	\$1,200	20%
10%	220	\$1,000	\$100	\$1,100	10%
0%	200	\$1,000	\$0	\$1,000	0%
-10%	180	\$1,000	\$0	\$1,000	0%
-20%	160	\$1,000	\$0	\$1,000	0%
-30%	140	\$1,000	\$0	\$1,000	0%
-40%	120	\$1,000	\$0	\$1,000	0%
-50%	100	\$1,000	\$0	\$1,000	0%
-60%	80	\$1,000	\$0	\$1,000	0%
-70%	60	\$1,000	\$0	\$1,000	0%



Morgan Stanley Finance LLC

Market-Linked Notes due June 30, 2020

Based on the Value of the Morgan Stanley MAP Trend Index

## Risk Factors

*The following is a non-exhaustive list of certain key risk factors for investors in the notes. For further discussion of these and other risks you should read the section entitled “Risk Factors” in the accompanying product supplement and the accompanying prospectus. You should also consult with your investment, legal, tax, accounting and other advisers in connection with your investment in the notes.*

§ **The notes do not pay interest and may not pay more than the stated principal amount at maturity.** If the index percent change is less than or equal to 0%, you will receive only the stated principal amount of \$1,000 for each note you hold at maturity. As the notes do not pay any interest, if the underlying index does not appreciate sufficiently over the term of the notes, the overall return on the notes (the effective yield to maturity) may be less than the amount that would be paid on a conventional debt security of ours of comparable maturity. The notes have been designed for investors who are willing to forgo market floating interest rates in exchange for a supplemental redemption amount, if any, based on the performance of the underlying index.

§ **The market price of the notes will be influenced by many unpredictable factors.** Several factors will influence the value of the notes in the secondary market and the price at which MS & Co. may be willing to purchase or sell the notes in the secondary market, including the value of the underlying index at any time, the volatility (frequency and magnitude of changes in value) of the underlying index, dividend rate on the exchange traded funds (“ETFs”) underlying the index, interest and yield rates in the market, time remaining until the notes mature, geopolitical conditions and economic, financial, political, regulatory or judicial events that affect the underlying index or equities markets generally and which may affect the final index value of the underlying index and any actual or anticipated changes in our credit ratings or credit spreads. The value of the underlying index may be, and has recently been, volatile, and we can give you no assurance that the volatility will lessen. See “Hypothetical Retrospective and Historical Information” below. You may receive less, and possibly significantly less, than the stated principal amount per note if you try to sell your notes prior to maturity.

§ **The notes are subject to our credit risk, and any actual or anticipated changes to our credit ratings or credit spreads may adversely affect the market value of the notes.** You are dependent on our ability to pay all amounts due on the notes at maturity and therefore you are subject to our credit risk. The notes are not guaranteed by any other entity. If we default on our obligations under the notes, your investment would be at risk and you could lose some or all of your investment. As a result, the market value of the notes prior to maturity will be affected by changes in the market’s view of our creditworthiness. Any actual or anticipated decline in our credit ratings or increase in the credit spreads charged by the market for taking our credit risk is likely to adversely affect the market value of the notes.

**As a finance subsidiary, MSFL has no independent operations and will have no independent assets.** As a finance subsidiary, MSFL has no independent operations beyond the issuance and administration of its securities and will have no independent assets available for distributions to holders of MSFL securities if they make claims in respect of such securities in a bankruptcy, resolution or similar proceeding. Accordingly, any recoveries by such holders will be limited to those available under the related guarantee by Morgan Stanley and that guarantee will rank § *pari passu* with all other unsecured, unsubordinated obligations of Morgan Stanley. Holders will have recourse only to a single claim against Morgan Stanley and its assets under the guarantee. Holders of securities issued by MSFL should accordingly assume that in any such proceedings they would not have any priority over and should be treated *pari passu* with the claims of other unsecured, unsubordinated creditors of Morgan Stanley, including holders of Morgan Stanley-issued securities.

**The amount payable on the notes is not linked to the value of the underlying index at any time other than the determination date.** The final index value will be based on the index closing value on the determination date, § subject to postponement for non-index business days and certain market disruption events. Even if the value of the underlying index appreciates prior to the determination date but then drops by the determination date, the payment at maturity will be less, and may be significantly less, than it would

Morgan Stanley Finance LLC

Market-Linked Notes due June 30, 2020

Based on the Value of the Morgan Stanley MAP Trend Index

have been had the payment at maturity been linked to the value of the underlying index prior to such drop. Although the actual value of the underlying index on the stated maturity date or at other times during the term of the notes may be higher than the final index value, the payment at maturity will be based solely on the index closing value on the determination date.

§ **There are risks associated with the underlying index.**

**The level of the underlying index can go down as well as up.** There can be no assurance that the underlying index will achieve positive returns. The underlying index tracks the performance of a rules-based investment methodology that selects a hypothetical portfolio of Underlying Assets to track. The performance of the underlying index will depend on the performance of that hypothetical portfolio *minus* the sum of the 3-month LIBOR and a servicing cost § of 0.85% per annum. If the hypothetical portfolio declines in value, the index value will also decline. Even if the hypothetical portfolio increases in value, the index value will nevertheless decline if the increase in the value of the portfolio is not sufficient to overcome the deduction of the 3-month LIBOR and the servicing cost of 0.85% per annum. Accordingly, no assurance can be given that the underlying index will be successful or outperform any alternative strategy that might be employed in respect of the Index Components.

**The base allocation of ETFs in the Asset Portfolio is determined in reference to each ETF's Risk Budget and volatility.** The base allocation of each ETF in the Asset Portfolio is determined in proportion to its pre-set Risk Budget. The Risk Budget was set by the Strategy Sponsor, does not change during the life of the underlying index and there is no guarantee that the Risk Budget allocated to each ETF is the optimal allocation. A higher or lower Risk Budget could result in increased investment in an ETF that performs poorly or insufficient investment in an ETF that performs well over the life of the underlying index. The base allocations of each ETF in the Asset Portfolio are then scaled relative to the other ETFs in the Asset Portfolio according to their volatility. The base allocation of each ETF can be higher or lower than its Risk Budget (However, after the entirety of the underlying index § calculation is complete, no ETF's exposure will exceed its maximum exposure cap.) Volatility calculations based on historical volatility presume that historical volatility is an accurate indication of current volatility. However, there is a time lag associated with the volatility calculation. There is no guarantee that the volatility in the preceding period is representative of the current volatility of the ETFs. Because the underlying index calculates realized volatility over approximately a one-year period, it may be some period of time before a recent increase in the volatility of the ETFs is sufficiently reflected in the calculation of realized volatility to cause a compensating change to the base allocation in the Asset Portfolio. Moreover, there is no guarantee that the one year look-back period for volatility utilized by the underlying index produces the most accurate measure of current volatility. Accordingly, no assurance can be given that each ETF's Risk Budget and calculated volatility will result in the optimal base allocation.

§ **There are risks associated with the underlying index's momentum investment strategy.** The underlying index is constructed using what is generally known as a momentum-based investment strategy. Momentum-based investing generally seeks to capitalize on positive trends in the prices of assets. As such, the composition of the underlying

index is based on the historical performance of the ETFs over both long-term and short-term periods. However, there is no guarantee that trends existing in the preceding periods will continue in the future. A momentum-based strategy is different from a strategy that seeks long-term exposure to a notional portfolio consisting of constant components with fixed weights. The underlying index may fail to realize gains that could occur as a result of holding assets that have experienced price declines, but after which experience a sudden price spike. As a result, if market conditions do not represent a continuation of prior observed trends, the level of the underlying index, which is rebalanced based on prior trends, may decline. Additionally, even when the values of the ETFs tracked by the underlying index are trending downwards, the underlying index will continue to be composed of those ETFs until the next rebalancing. Furthermore, the equity and alternative asset classes of ETFs in the underlying index seek to capitalize on potential counter-trends in the short term. This could potentially result in a failure to maximize return on an ETF in the equity or alternative asset classes that consistently trends upward over the life of the underlying index. In this

September 2018 Page 7

Morgan Stanley Finance LLC

Market-Linked Notes due June 30, 2020

Based on the Value of the Morgan Stanley MAP Trend Index

scenario, while the Trend Signal will be 0.5 because the spot horizon is always above the long-term horizon, it will never result in a Trend Signal of 1 because the short-term horizon value from 1 Strategy Business Day prior will consistently exceed the spot horizon value from 5 Strategy Business Days prior. This will result in substantially lower returns than if one were to hold an interest in the underlying ETF itself. Alternatively, this strategy could result in over-exposure to a steadily declining ETF. The Trend Signal in these asset classes will remain at 1 and the underlying index will remain fully exposed to an ETF's decline until the ETF begins trending up and the short-term horizon exceeds the spot horizon or continues declining such that the spot horizon is below the long-term horizon. Even if the spot horizon falls below the long-term horizon, the Trend Signal will be 0.5 and the underlying index will not fully divest its position until the spot horizon of the ETF is down compared to both the long-term horizon and the short-term horizon. No assurance can be given that the investment strategy used to construct the underlying index will outperform any alternative index that might be constructed from the Index Components.

**Low volatility in the underlying index is not synonymous with low risk in an investment linked to the § underlying index.** For example, even if the volatility of the underlying index were to be in line with the Volatility Target, the underlying index level may decrease over time, which may result in a zero return on the notes.

**While the underlying index has a Volatility Target of 5%, there can be no guarantee, even if the Asset Portfolio is rebalanced daily, that the realized volatility of the underlying index will not be less than or greater than 5%.** In fact, the historical volatility of the underlying index, based on simulated returns, has generally been between 4% and 6%. Although the underlying index aims to ensure that its realized volatility does not exceed 5%, there is no guarantee that it will successfully do so. There is a time lag associated with the underlying index's volatility control adjustments. Because realized volatility is measured over either approximately the prior month or two months for purposes of the volatility control feature, it may be some period of time before a recent increase in the volatility of the index ETFs is sufficiently reflected in the calculation of realized volatility to cause a compensating reallocation in the Asset Portfolio. During the intervening period, if the increased volatility is § associated with a significant decline in the value of the index ETFs, the underlying index may in turn experience a significant decline without the reduction in exposure to the Index ETFs that the volatility control feature is intended to trigger. Moreover, the index ETFs during the earlier part of the relevant volatility period may be different than the current index ETFs, and if the earlier index ETFs were significantly less volatile than the current index ETFs, the underlying index may be slow to adjust to significant volatility in the current index ETFs. Furthermore, the fact that the underlying index applies a 5% volatility constraint in the selection of the Asset Portfolio is no assurance that the resulting selected portfolio will not experience volatility that is significantly greater than 5% in the future. An Asset Portfolio may experience greater volatility in the future because future market conditions may differ from past market conditions.

**§ There can be no assurance that the actual volatility of the underlying index will be lower than the volatility of any or all of the Index Components.** The underlying index's exposure to each Index Component is adjusted through a volatility-scaling mechanism that seeks to target a volatility of 5% for the underlying index. However, as the volatility-scaling mechanism looks to trends that have occurred in the past to then make adjustments to future

positions, it is unlikely that the underlying index will achieve the target volatility in any Index Component for any given period of time. The actual volatility achieved by the underlying index overall, as well as the volatility achieved for each Index Component, will likely differ – perhaps significantly – from the Volatility Target.

**The volatility target feature of the underlying index may dampen its performance in bullish markets.** The underlying index is designed to achieve a Volatility Target of 5% regardless of the direction of price movements in § the market. Therefore, in bullish markets, if the realized volatility is higher than the Volatility Target, the adjustments to the Asset Portfolio of the underlying index through Daily Rebalancing might dampen the performance of the underlying index. The selection of the Index

September 2018 Page 8



Morgan Stanley Finance LLC

Market-Linked Notes due June 30, 2020

Based on the Value of the Morgan Stanley MAP Trend Index

Components, as well as the Volatility Target feature, may cause the underlying index to underperform one or more of the Index Components.

**The value of the underlying index and any instrument linked to the underlying index may increase or decrease due to a number of factors, many of which are beyond our control.** The nature and weighting of the ETFs can vary significantly, and no assurance can be given as to the allocation of any ETF at any time.

**The future performance of the underlying index may bear little or no relation to the historical or hypothetical retrospective performance of the underlying index.** Among other things, the trading prices of the ETFs and the dividends paid on the ETFs will impact the level and the volatility of the underlying index. It is impossible to predict whether the level of the underlying index will rise or fall. The fact that a given allocation among the Asset Portfolio performed well over any look-back period does not mean that such allocation will continue to perform well in the future. Future market conditions may differ from past market conditions, and the conditions that may have caused the favorable historical performance may no longer exist. Furthermore, by continually seeking to track the Asset Portfolio that would have been the best-performing portfolio (subject to constraints) over a look-back period, the underlying index may perpetually be too late, and it may perpetually “buy high.” By the time the underlying index hypothetically invests in a portfolio of ETFs, the ETFs in that portfolio may already have experienced significant appreciation. The underlying index may therefore perpetually make hypothetical investments in portfolios when they are expensive, which may lead to poor returns.

**The underlying index is particularly susceptible to “choppy” markets.** Past performance is particularly likely to be a poor indicator of future performance in “choppy” markets, which are characterized by short-term volatility and the absence of consistent long-term performance trends. In such markets, strategies that use past performance as an indicator of future performance, such as that followed by the underlying index, are subject to “whipsaws,” which occur when the market reverses and does the opposite of what is indicated by past performance. The underlying index may experience significant declines in such markets.

**The underlying index has fixed weighting constraints.** The index applies limits to the weight that may be assigned to each ETF. These limits are fixed and may skew the allocations among the ETFs in a way that reduces the potential performance of the underlying index. For example, because of the weighting constraints, the underlying index may not allocate all of its exposure to the single ETF with the best performance over the prior six months, even if that ETF had a realized volatility of less than 5%. Instead, the weighting constraints require the underlying index to spread its exposure over all the ETFs, even if one or more of those ETFs had unfavorable returns over the relevant look-back period. Additionally, the weighting constraints mean that the underlying index must have some exposure to all of the ETFs at all times, even when there is no Asset Portfolio that would be expected to appreciate because all are in decline. The underlying index will not take a “short” position in any Index Component, even if the relevant Index Component displays a negative performance over the relevant look-back period.

**The underlying index was established on March 7, 2017 and therefore has a very limited history.** The performances of the underlying index and some of the component data have been retrospectively simulated for the period from September 22, 2003 to March 7, 2017. As such, performance for periods prior to the establishment of the underlying index has been retrospectively simulated by Morgan Stanley & Co. LLC on a hypothetical basis. A retrospective simulation means that no actual investment which allowed a tracking of the performance of the underlying index existed at any time during the period of the retrospective simulation. The methodology and the underlying index used for the calculation and retrospective simulation of the underlying index has been developed with the advantage of hindsight. In reality, it is not possible to invest with the advantage of hindsight and therefore this historical performance is purely theoretical and may not be indicative of future performance. In addition, the Morgan Stanley Two Year Treasury Index and certain ETFs included in the Index Components existed for only a portion of the period for which Morgan Stanley & Co. LLC has calculated hypothetical retrospective values. For any period during which data for the Morgan Stanley

September 2018 Page 9

Morgan Stanley Finance LLC

Market-Linked Notes due June 30, 2020

Based on the Value of the Morgan Stanley MAP Trend Index

Two Year Treasury Index or one or more ETFs did not exist, the historical simulation is based on (i) the value of the Morgan Stanley Two Year Treasury Index based on simulated historical performance and (ii) the value of each ETF's benchmark index less the relevant ETF's current expense ratio. Investors should be aware that no actual investment which allowed a tracking of the performance of the underlying index was possible at any time prior to March 7, 2017. Such data must be considered illustrative only. The historical data may not reflect future performance and no assurance can be given as to the level of the underlying index at any time. Because the Morgan Stanley Two Year Treasury Index and certain ETFs included in the Index Components existed for only a portion of the back-tested period, substitute data have been used for portions of the simulation. Wherever data for the Morgan Stanley Two Year Treasury Index or one or more ETFs did not exist, the simulation has included (i) the value of the Morgan Stanley Two Year Treasury Index based on simulated historical performance and (ii) the value of each ETF's benchmark index less the relevant current expense ratio. The ETFs (and corresponding fund inception dates) for which substitute data have been used for all periods prior to the relevant inception date are: USMV (October 20, 2011), DVY (November 7, 2003), HYG (April 11, 2007), AGG (September 26, 2003), EMB (December 19, 2007), TIP (December 5, 2003), PFF (March 30, 2007), GLD (November 18, 2004), USO (April 10, 2006), VNQ (September 29, 2004) and UUP (February 20, 2007).

**As the underlying index is new and has very limited actual historical performance, any investment in the underlying index may involve greater risk than an investment in an index with longer actual historical performance and a proven track record.** All information regarding the performance of the underlying index prior to March 7, 2017 is hypothetical and back-tested, as the underlying index did not exist prior to that time. It is important to understand that hypothetical back-tested index performance information is subject to significant limitations, in addition to the fact that past performance is never a guarantee of future performance. In particular:

Morgan Stanley & Co. International plc developed the rules of the underlying index with the benefit of hindsight—that is, with the benefit of being able to evaluate how the underlying index rules would have caused the underlying index to perform had it existed during the hypothetical back-tested period.

According to Morgan Stanley & Co. International plc, for time periods prior to the launch of an Index Component and that Index Component's initial satisfaction of a minimum liquidity standard, the hypothetical back-tested data included in this note were calculated using alternative performance information derived from a related index, after deducting hypothetical fund fees, rather than the performance information for that Index Component. This alternative performance information may differ, perhaps significantly, from the manner in which the relevant Index Components would have performed during the relevant period. As a result, the hypothetical back-tested index performance information, to the extent that it utilizes this alternative performance information, may not reflect how the underlying index would have performed had it instead utilized the actual performance of the relevant Index Components.

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Certain of the Index Components have changed the underlying indices that they seek to track or track underlying indices that have made changes to their rules. As a result of these changes, the underlying indices to be tracked in the future by certain of the Index Components differ in certain respects from the underlying indices tracked by the same Index Components during certain portions of the back-tested period. The sponsor of any Index Component or its underlying index may make additional changes in the future. The hypothetical back-tested index performance may not reflect how the underlying index would have performed had the relevant Index Components tracked the same underlying indices (with the same rules) during the full back-tested period that they will track in the future.

The hypothetical back-tested performance of the underlying index might look different if it covered a different historical period. The market conditions that existed during the historical period covered by the hypothetical § back-tested index performance information in this note are not necessarily representative of the market conditions that will exist in the future.

September 2018 Page 10

Morgan Stanley Finance LLC

Market-Linked Notes due June 30, 2020

Based on the Value of the Morgan Stanley MAP Trend Index

It is impossible to predict whether the underlying index will rise or fall. The actual future performance of the underlying index may bear little relation to the historical or hypothetical back-tested levels of the underlying index.

**The underlying index is reduced by an excess return cost.** The level of the underlying index is calculated as the excess of the weighted return of the Asset Portfolio over an equivalent cash investment receiving the 3-month LIBOR. As a result, the level of the underlying index reflects a deduction of the 3-month LIBOR that would apply to such a cash investment, and is therefore less than the return on the weighted Asset Portfolio absent such excess return cost. Changes in the 3-month LIBOR will affect the value of the underlying index. In particular, an increase in the 3-month LIBOR will negatively affect the value of the underlying index. Interest rates, especially short-term rates such as 3-month USD LIBOR, are significantly influenced by the Federal Reserve's monetary policy. Although the Federal Reserve has maintained interest rates at relatively low levels in recent years, the Federal Reserve may § change its monetary policy at any time. The Federal Reserve has recently begun to raise interest rates and may continue to do so in the future. If the Federal Reserve raises interest rates again, or if interest rates otherwise rise, the underlying index may be adversely affected. You should understand that interest rates are influenced by matters other than the Federal Reserve's monetary policy, and that interest rates may increase even if monetary policy does not change. For example, interest rates may be sensitive to perceptions about the creditworthiness of the U.S. government. In 2011, Standard & Poor's downgraded the U.S. government's credit rating. Any further downgrades in the credit rating or perceived creditworthiness of the U.S. government could increase the U.S. government's borrowing rates, which could have ripple effects that increase general interest rates, including 3-month USD LIBOR.

**The underlying index contains embedded costs.** In addition to the excess return deduction, as described in more detail under "Annex A—Morgan Stanley MAP Trend Index" below, the underlying index contains an embedded § servicing cost of 0.85% per annum, calculated on a daily basis. Such cost is deducted when calculating the level of the underlying index and will thus reduce the return of the underlying index.

§ **An investment in the notes involves risks associated with emerging markets equities and bonds, currency exchange rates and commodities.** ETFs representing foreign equities (including emerging markets equities) can constitute up to 10% of the underlying index. The underlying index can also consist of certain ETFs representing emerging markets bonds. Therefore, an investment in the notes involves risks associated with the securities markets in those foreign markets and emerging markets countries, including but not limited to risks of volatility in those markets, governmental intervention in those markets and cross-shareholdings in companies in certain countries. The prices of securities issued in foreign markets may be affected by political, economic, financial and social factors in those countries, or global regions, including changes in government, economic and fiscal policies and currency exchange laws. In addition, because the price of an ETF representing foreign securities is generally related to the U.S. dollar value of securities underlying the index tracked by such ETF, an investment in the notes involve currency exchange rate risk with respect to each of the currencies in which such securities trade. Exchange rate movements for a particular currency are volatile and are the result of numerous factors including the supply of, and the demand for, those currencies, as well as relevant government policy, intervention or actions, but are also influenced significantly from time to time by political or economic developments, and by macroeconomic factors and

speculative actions related to the relevant region.

In addition, potential underlying index components also include ETFs representing commodities and thus investors in instruments linked to the underlying index are exposed to risks associated with commodities. Investments linked to the prices of commodities are subject to sharp fluctuations in the prices of commodities over short periods of time for a variety of factors, including: changes in supply and demand relationships; weather; climatic events; the occurrence of natural disasters; wars; political and civil upheavals; acts of terrorism; trade, fiscal, monetary, and exchange control programs;

September 2018 Page 11

Morgan Stanley Finance LLC

Market-Linked Notes due June 30, 2020

Based on the Value of the Morgan Stanley MAP Trend Index

domestic and foreign political and economic events and policies; disease; pestilence; technological developments; changes in interest rates; and trading activities in commodities and related contracts. These factors may affect the prices of commodities and therefore the value of the underlying index and the notes, in varying and potentially inconsistent ways.

**Changes in the value of the Index Components may offset each other.** Because the Index Components represent a range of asset classes and geographic regions, price movements of Index Components representing different asset classes or geographic regions may not correlate with each other. At a time when the value of an Index Component § representing a particular asset class or geographic region increases, the value of other Index Components representing different asset classes or geographic regions may not increase as much or may decline. Therefore, in calculating the level of the underlying index, increases in the value of some of the Index Components may be moderated, or more than offset, by lesser increases or declines in the level of other Index Components.

**The Morgan Stanley Two Year Treasury Index can produce negative returns, which may have an adverse effect on the level of the respective Sub-Indices, and consequently, the level of the index.** The Index methodology for the Morgan Stanley Two Year Treasury Index was developed based on historical data and conditions, and there can be no assurances that the methodology can generate positive performance in the future. § Therefore, the past performance of the Morgan Stanley Two Year Treasury Index, whether actual or retrospectively calculated, is not a reliable indication of future performance. Poor performance by the Morgan Stanley Two Year Treasury Index will have a negative effect on the performance of the respective Sub-Indices, and consequently on the performance of the index.

**Adjustments to the underlying index could adversely affect the value of instruments linked to the underlying index.** Morgan Stanley & Co. LLC, as the Calculation Agent and the Index Sponsor, can add, delete and/or substitute the Index Components, and can make other methodological changes required by certain events relating to § the Index Components. Any of these actions could adversely affect the value of instruments linked to the underlying index. Morgan Stanley & Co. LLC may also discontinue or suspend calculation or publication of the underlying index at any time. Morgan Stanley & Co. LLC could have an economic interest that is different than that of investors in instruments linked to the underlying index.

**Investing in the notes is not equivalent to investing in the underlying index. Investing in the notes is not equivalent to investing in the underlying index or its component ETFs or the Morgan Stanley Two Year** § **Treasury Index.** Investors in the notes will not have voting rights or rights to receive dividends or other distributions or any other right with respect to the component ETFs of the underlying index. See “Hypothetical Examples” above.

§ **Reliance on information.** Unless otherwise stated, all calculations are based on information obtained from various publicly-available sources. Morgan Stanley has relied on these sources and not independently verified the

information extracted from these sources. Morgan Stanley shall not be liable in any way for any calculations it performs in reliance on such information. The information used to undertake the Daily Rebalancings for the underlying index will be the most up-to-date information available.

§ **Research.** Morgan Stanley may issue research reports on securities that are, or may become, constituents of an Index Component or an Index Component. These reports are entirely independent of the calculation agent's obligations hereunder. Morgan Stanley will be under no obligation to make any adjustments to the underlying index or to reflect any change in outlook by Morgan Stanley Research.

**If the underlying index is discontinued and no successor index is available, at maturity, Morgan Stanley will pay an alternative supplemental redemption amount, if any, in lieu of the supplemental redemption amount.**

§ If MS & Co., as the underlying index publisher, discontinues publication of the underlying index and, as the calculation agent, determines in its sole discretion that no successor index is



Morgan Stanley Finance LLC

Market-Linked Notes due June 30, 2020

Based on the Value of the Morgan Stanley MAP Trend Index

available, no supplemental redemption amount will be paid on the notes. Instead, *on the date of such determination*, the calculation agent will determine, in good faith and in a commercially reasonable manner, an alternative supplemental redemption amount, which will equal its estimate of the value, if any, of the investors' forgone opportunity to receive any supplemental redemption amount, determined by reference to the calculation agent's pricing models, inputs, assumptions about future market conditions including, without limitation, the volatility of the underlying index and its components and current and expected interest rates. The alternative supplemental redemption amount, if any, will be paid *at maturity* in addition to the stated principal amount of the notes. As a result, investors will have no more exposure to the underlying index once the calculation agent determines that no successor index is available to replace the discontinued underlying index, but will not receive the alternative supplemental redemption amount until the maturity date. See "Additional Information About the Notes—Discontinuance of the underlying index" below.

**MS & Co., which is a subsidiary of Morgan Stanley and an affiliate of MSFL, is both the calculation agent and the underlying index publisher, and will make determinations with respect to the notes and the underlying index.** As calculation agent, MS & Co. will determine the initial index value and the final index value, and will calculate the amount of cash you will receive at maturity. Determinations made by MS & Co. in its capacity § as calculation agent, including with respect to the occurrence or non-occurrence of market disruption events and the selection of a successor index or calculation of the alternative supplemental redemption amount in the event of a discontinuance of the underlying index or a market disruption event, may adversely affect the payout to you at maturity.