



Equity Risk Management for Concentrated Positions

The Advisor Solutions Team within the Institutional Equity Division at Morgan Stanley provides best in class service to our clients in a way that reflects our commitment to thought leadership, innovative solutions, and cutting-edge strategies.

Has your client...

- ✍ Had a concentrated position complicating their portfolio's diversification?
- ✍ Recently sold their business for shares of the acquiring company?
- ✍ Received shares as an investor or executive stakeholder of a company?
- ✍ Accumulated significant compensation via stock or options as an employee?
- ✍ Inherited a large, concentrated position from family-owned shares?

Flexibility: OTC Hedging & Monetization strategies may offer solutions that meet client needs. Unlike listed derivatives strategies, OTC strategies are fully customizable (i.e., strike levels, expiry dates, underlying, execution style). Some listed derivatives strategies do not have specific expiry dates or lack liquidity, which may prevent a client from mitigating risk for their concentrated positions.

Risk Management & Liquidity Capabilities: There are several factors that can complicate risk mitigation of concentrated positions for clients, such as - tax implications, an inherited bullish conviction, legal restrictions, and sentimental attachment to the position.

The Advisor Solutions Team can potentially help mitigate risk and provide liquidity utilizing OTC strategies through:



Diversification

Diversifying the client's concentration in a single equity position, without selling out of the concentrated position.



Capital Preservation

Providing protection against a decline in the stock's value, while maintaining upside appreciation.



Monetization

Receive the benefits of downside protection, upside appreciation and an upfront cash payment, with no separate loan facility to generate liquidity.

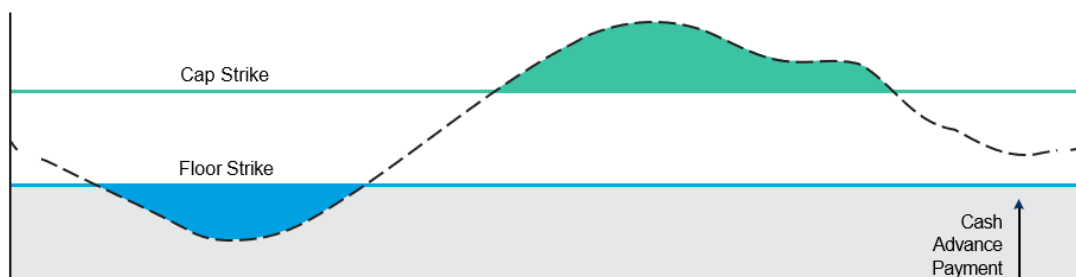


Tax Efficiency

Potential to defer costly capital gains tax, without selling out of the concentrated position.

Potential Strategies for Concentrated Positions

There are various OTC Derivatives strategies available to reduce downside exposure for and monetize concentrated positions.



	Covered Calls	Zero Cost Collars	Prepaid Variable Forwards
Cap Strike	✓	✓	✓
Floor Strike	—	✓	✓
Upfront Cash Payment	—	—	✓

Morgan Stanley

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