Morgan Stanley

WEALTH MANAGEMENT

INVESTMENT STRATEGY

Global Investment Committee | January 2026

On the Markets

The Bull Matures: No Time for Complacency

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2025, like most years, provided its share of surprises. Markets were able to shrug off tariff policy as a nonevent and deliver a third year of double-digit gains against the backdrop of a US economy that was resilient despite a weak labor market and poor consumer confidence. Rest-of-world equities beat US stocks by the biggest margin since 2009, gold and silver were the best-performing global asset classes and bitcoin ended in the red despite constructive regulatory policies. Meanwhile, Caterpillar, up 60%, outperformed Nvidia, up 39%.

2026 is apt to be no different, in our view. It marks the fourth year of the current bull market, which has been singularly characterized by the surge of generative AI. For investors, it is also the second year of the current presidential term, and a year that will be punctuated by America's 250th birthday, the World Cup, the Winter Olympics, renegotiation of the United States-Mexico-Canada Agreement and US midterm elections. In market terms, it's also a year when the continuing constructive case for US equities is well defined and fully priced.

After all, several factors suggest a narrow aperture for upside surprise and the potential for passive stock index gains to be closer to the historical average. These include rich valuations, with ambitious earnings forecasts embedding two more years of double-digit profit increases; a near-unanimous market-strategist consensus on items like growth, rates and inflation; and the telegraphed contours of monetary, fiscal and regulatory stimulus, which are apparently fully discounted. As such, absent high-level controversy, our portfolio-construction approach shifts from the macro to the more thematic, idiosyncratic and opportunistic, against a framework anchored to asset class diversification.

Over the past month, the Global Investment Committee has focused on four pillars informing our thematic preferences. First is our approach to the generative AI theme. On that front, we see the most meaningful value creation shifting from the infrastructure builders that dominate the indexes and the narrative, to the implementors, business disruptors and tool deployers. While the consensus appears to be assuming a broad productivity renaissance for the US economy that will drive operating profits to new highs, the GIC is more selective. We believe that benefits from exploiting the power of AI will accrue to a handful of scaled, skilled and application-focused firms taking a strategic and transformative approach rather than

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a cost-cutting one. We are starting to find those ideas in industries where sclerotic business processes and low historical capital-to-labor ratios create step-change opportunities: financials, health care and business services.

A second theme for 2026 pertains to the pickup in "animal spirits," or deal-making activity. 2025 was already the best year for mergers and acquisitions since 2021, and in 2026, amid lower rates and greater policy clarity, we see initial public offering activity picking up, unleashing liquidity and helping to deconcentrate public market indexes. Breaking the deal-making logjam should be constructive for venture capital and private equity limited partners, who have suffered below-average cash distributions for the past three to four years. We see 2026 as a terrific year for financials. Notably, it comes amid yield-curve steepening, bank regulatory-capital easing and the end of balance sheet deleveraging, with investment grade debt issuance poised to grow 60%–90%. It's also likely to be a year when the line between public and private markets continues to blur, spurred by the acceleration of tokenization technologies.

A third theme revolves around our work on the multipolar and post-globalization world. In 2026, we see the trade truce with China combining with a new commodity super-cycle and the Trump administration's "new Monroe Doctrine" to usher in an especially constructive period for emerging markets. This opportunity should complement our non-US equity overweight to Japan.

Finally, as technology increasingly commodifies various forms of content creation, we are watching the opportunities emerging in the creative-capital space with interest. Live entertainment is melding with sports and sports betting, which in turn are merging with prediction markets and futures/options trading. ■

GLOBAL MACRO

Asking the Right Questions

Michelle M. Weaver, CFA, Equity Strategist, Morgan Stanley & Co. LLC
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A core element of the research process is asking the *right* question at the *right* time. Each December, senior Morgan Stanley & Co. analysts from around the world gather to discuss the biggest questions their industries face and the debates that will shape returns in the years ahead. At our gathering in late December, five investment questions that our team will focus on in 2026 emerged.

Can artificial intelligence (AI) adoption drive a durable rise in productivity and margins? The AI debate now shifts from infrastructure spend to execution and understanding which companies can translate AI adoption into measurable bottom-line gains. Lessons from prior capex cycles suggest that adoption speed, workflow redesign, regulation and market structure will ultimately determine winners. Private equity is already showing what AI can do as it reshapes low-margin businesses. We could see valuation dispersion over the next few years as credible AI adopters rerate higher while others fall behind.

How quickly does robotics allow AI to move off screens and into the physical world? Robotics enables AI systems to migrate onto factory floors, roads, farmland and more, taking form factors from autonomous vehicles to humanoids to task-specific machines. Key constraints include the difficulties of 1) collecting high-quality real-world data, 2) scaling up hardware manufacturing and 3) integrating robotics into existing workflows. Geopolitical competition is only accelerating this shift, as robotics can improve reshoring economics.

How is technology moving to the center of a multipolar world and embedding itself in the global balance of power? The AI race is effectively becoming bipolar between the US and China, shaped not just by model capability but by access to power, tech talent, semiconductors and critical minerals. Europe sits in the middle of this competition, balancing security, welfare and competitiveness while it ramps up defense spending and remains exposed to Chinese supply chains. As AI, defense technology and advanced manufacturing converge, technology choices are forcing countries and companies alike to make trade-offs.

How will the US manage structurally higher energy demand? After nearly 20 years of flat to falling energy consumption in the US, the combination of the AI data center build-out and reshoring is reversing this trend. Our analysts expect US energy demand to rise significantly over the next decade, with electricity consumption growing at its fastest pace since before 2000. This shift is reshaping the energy mix, with natural gas gaining share alongside renewables as the overall pie expands, while oil demand plateaus rather than collapses. At the same time, AI power requirements are exposing grid constraints and accelerating interest in on-site generation, distributed power solutions and storage.

How do long-term demographic shifts drive near-term market outcomes? Longer and healthier lifespans are increasingly supported by wider access to GLP-1 drugs and forthcoming oral formulations. An aging population has important implications for retirement planning and asset management, senior housing and more. At the other end of the spectrum, young consumers are coming of age in a world where work is increasingly defined by AI and the post-college job market is challenging. Younger people are also finding it harder to climb onto the property ladder as older generations choose to age in place. Wealth transfer can bridge the gap between these cohorts. At present, 30% of wealth is held by those 70 and above, and significant transfers are coming. ■

This article was excerpted from the Dec. 21, 2025, Morgan Stanley & Co. Research report, "Asking the Right Questions." For a copy of the full report, please contact your Financial Advisor.

US EQUITIES

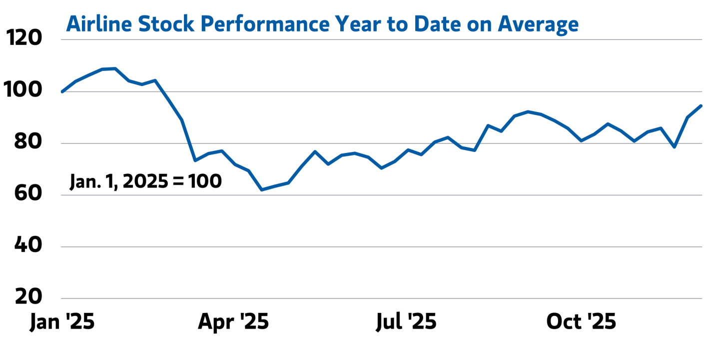
What Doesn't Kill You Makes You Stronger

Ravi Shanker, Equity Analyst, Morgan Stanley & Co. LLC

After four years of being put to the test, the US airline industry entered 2025 on the back of significant momentum in fundamentals, stock prices and investor positioning. However, it quickly hit trouble in the first quarter, with twin accidents, a severe winter and the shock of tariff headlines. This baked in a challenging second quarter, though the industry took active steps to improve in the third quarter. Just when things looked set for a strong finish to the year, the 43-day US government shutdown derailed the fourth quarter as well.

Now we enter 2026 with a mix of hope and trepidation but also confidence that the airlines have been strengthened by the past year's problems and are more resilient than they have ever been. However, while 2025's airline stock sell-off was relatively universal, the rebound was selective, with three stocks ending the year more than 10% higher and the rest still down more than 15% collectively (see chart).

Bumpy Ride: Airline Stocks Fluctuated Widely in 2025

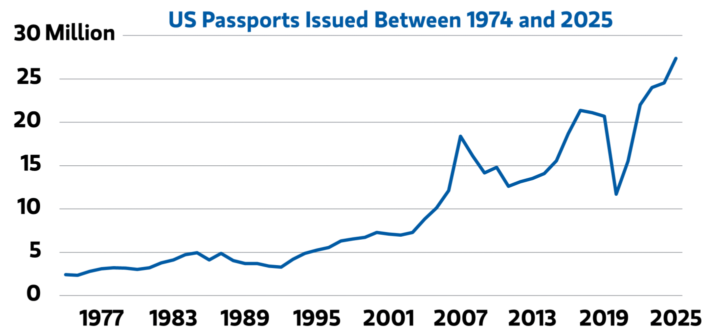


Source: FactSet, Morgan Stanley & Co. Research, Morgan Stanley Wealth Management Global Investment Office as of Dec. 3, 2025

STEADY GROWTH PREDICTED. The Forward Leading Indicator Traffic Estimate Index, our proprietary short-term leading indicator of US domestic air travel, continues to forecast steady growth. As COVID shock has faded significantly from the 2020 peak, the cycle component has dominated more heavily and has started to close the gap to what the normal growth trend would have looked like if the pandemic had not occurred. This is a major milestone in the normalization of demand post-pandemic.

We expect this catch-up to the long-term trend to continue and to potentially outpace as pent-up demand continues to materialize. As for international travel, demand wobbled a bit in 2025 as geopolitical tensions rose and currency volatility pressured visitors from abroad. Demand for outbound travel continued to push to new highs. Notably, US passport issuance has been setting new records, which bodes well for the resilience of outbound travel (see chart).

US Passport Issuance Continues to Set Records

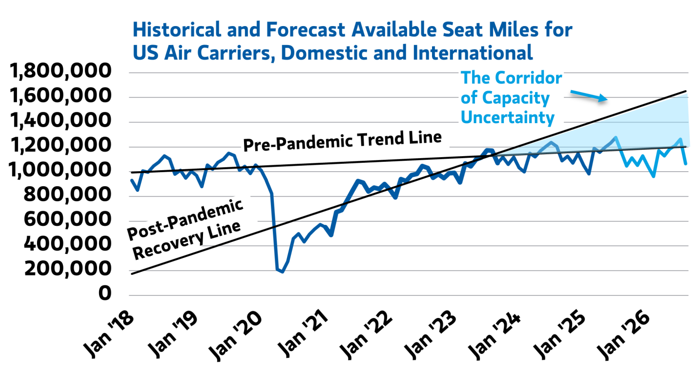


Source: Travel.State.Gov, Morgan Stanley & Co. Research, Morgan Stanley Wealth Management Global Investment Office as of Dec. 8, 2025

CAPACITY DISCIPLINE. In 2024, the airline industry was tested on capacity discipline, a test which it eventually passed. In 2025, the sudden collapse in close-in bookings, i.e., those made very close to departure date, heading into a second-quarter peak offered the airlines another test, which they also eventually passed. On one hand, bears and skeptical investors may question why the industry is still being tested and why it takes a stern test for the industry to eventually pass.

On the other hand, bulls might note that the eventual passing is not something that happened in prior years. The 2025 test was largely unforeseeable and unlike 2024, not of the industry's own making. Importantly, the long-term trend shows good news. Our long-term capacity trend tracker shows that the industry has clearly structurally shifted capacity, which is now potentiality trending below the long-term pre-pandemic run rate, let alone below the rapid pace of normalization post-pandemic (see chart). We believe this should be the most important chart that airline investors track going forward.

The Airline Industry Has Structurally Shifted Capacity



Source: Federal Reserve Bank of St. Louis, OAG, Morgan Stanley & Co. Research, Morgan Stanley Wealth Management Global Investment Office as of Dec. 8, 2025

STRONG DEMAND. While capacity discipline appears to be turning structural, there is more good news on demand. After a stop-start 2025 due to tariffs, Morgan Stanley & Co.'s economists expect the overall macro environment to remain volatile in 2026 before settling into a rhythm in 2027. It is also interesting that our economists expect spending on services to decline slightly in 2026, though off relatively high levels. The question is whether consumers will continue to prioritize travel over other spending categories irrespective of macro conditions.

The answer to that question appears to be a resounding "yes." We introduced our long-term demand trend tracker last year, and while we saw that capacity was trending favorably at the bottom end of the "corridor of capacity uncertainty" in the supply tracker, demand is tracking at the high end of the corridor of demand uncertainty. This should give investors confidence that the relationship between demand and supply trends is favorable heading into 2026.

TRAVEL INTENTIONS. Consumer travel intent remained resilient all year in our Consumer Pulse surveys despite the consumer pulling back on other spending categories. Similarly, corporate travel continues to trend positively, with our surveys showing a mid-single-digit growth trend for 2025 continuing into 2026. Our recent survey results reflect expectations for corporate travel budgets to end about 6% higher year over year in 2025 and an additional 5% higher in 2026. That's in line with our midyear survey. Airfares are expected to rise about 3.7% in 2026, marking the first time that the rate of growth accelerated sequentially between surveys since 2022.

Jet fuel is likely to remain supportive of this demand strength, and capacity rationalization is occurring against a background of benign but still volatile jet fuel prices. Morgan Stanley & Co. Research's energy team expects jet fuel to remain stable in the low $2-per-gallon range through 2026, assuming prices near the recent oil forward curve. That's the sweet spot for the airline industry, where pricing can drop through to the bottom line while offering an added incentive for capacity to remain rational. ■

This article was excerpted from the Dec. 8, 2025, Morgan Stanley & Co. Research report, "2026 Outlook: What Doesn't Kill You Makes You Stronger." For a copy of the full report, please contact your Financial Advisor.

US EQUITIES

A New Era for Large-Cap Banks

Betsy L. Graseck, CFA, Equity Analyst, Morgan Stanley & Co. LLC

As we look ahead, we anticipate three key themes for large-cap banks in 2026: regulatory relief, an end to quantitative tightening (QT) and a capital markets rebound. We expect these themes, along with additional factors, to unlock excess capital for deployment over the next several years, boosting return on tangible common equity.

REGULATORY REFORM. After more than a decade of tougher and tougher rules, we believe regulatory reform will be a sea change for large-cap banks in 2026. While 2025 delivered some important changes, including finalization of the enhanced supplementary leverage ratio (eSLR), 2026 should usher in a major unlocking of bank capital productivity. Notably, the reproposal and finalization of Basel III Endgame and the global systemically important banks (G-SIB) surcharge should be accompanied by finalization of the stress test proposal.

We anticipate all major capital proposals will be out by the end of the first half of 2026. We also expect bank shareholders to ask managements for their plans to optimize capital deployment once the rules are finalized, unlocking high levels of excess-capital-fueling growth over the next several years. Large-cap banks hold around $161 billion of excess capital, as of the third quarter of 2025, with a weighted average common equity tier 1 ratio of 12.6%—well above regulatory minimums. Clarity on final rules should unlock capital deployment opportunities as risk-weighted assets (RWA) are finalized, potentially enabling banks to incrementally lean into organic growth, rounded out by share buybacks and dividends.

If all excess capital were to be deployed organically, it would drive an increase of approximately 29% in large-cap bank assets. At the current RWA growth pace, this would take a median of seven years (with a range of two to 15) to deploy. We model median loan growth increasing from 4% in 2025 to 5% in 2026.

We do not currently model banks fully optimizing their capital levels, but we do project them buying back their earnings to keep excess capital ratios flat. In our coverage universe, we model buybacks increasing from $111 billion in 2025 to $152 billion in 2026 and $150 billion in 2027, reflecting rising earnings and an increase in the aggregate payout ratio. We also forecast median dividend growth of 7% and 9%, respectively, in 2026 and 2027, against 11% and 14% respective earnings per share growth, driving the median dividend payout ratio down slightly from 30% in 2025 to 27% in 2027 while the average dividend yield increases from 2.2% to 2.7%.

CAPITAL MARKETS REBOUND JUST STARTING. While global mergers and acquisitions (M&A) volume and equity and debt capital markets issuance increased in 2025, we believe the best is yet to come. In our base case, we model announced global M&A deal volume to rise 20% in 2026 and 15% in 2027, and completed global M&A deal volume to rise 24% in 2026 and 30% in 2027. We expect global equity capital markets volume to increase 33% in 2026 and 40% in 2027, and global debt capital markets volume to rise 13% in 2026 and 9% in 2027. We assume global deal volume versus nominal US GDP will revert to the 1996–2024 average by 2027.

END OF QT AND DEPOSIT ACCELERATION. The Federal Reserve formally ended its QT program Dec. 1, concluding a process that began in June 2022. Over this period, the Fed reduced its balance sheet by roughly $2.4 trillion, primarily through runoff of US Treasuries and mortgage-backed securities (MBS), bringing Fed assets down from a pandemic-era peak of around $9 trillion to $6.5 trillion.

As the Fed allowed Treasuries and MBS to mature without reinvesting, reserves steadily declined, pressuring deposit growth and liquidity across the system. In our view, this contributed to higher deposit rates and greater reliance on wholesale funding and Fed facilities. The end of QT should be a tailwind for deposit growth, and we expect median large-cap bank deposit growth to increase from 3.6% in 2025 to 4.6% in 2026 and for system deposits growth to more closely track nominal GDP growth. Higher deposit growth, amid increasing liquidity, coupled with greater debt-funding demand, given rising completed M&A, sets the stage for accelerating loan growth. We forecast median large-cap bank loan growth to increase from 4.1% in 2025 to 5.1% in 2026, driven by capital markets activity, rate cuts at the front end of the yield curve and expected slower paydowns in commercial real estate. ■

This article was excerpted from the Dec. 3, 2025, Morgan Stanley & Co. research report, "A New Era for Large Cap Banks." For a copy of the full report, please contact your Financial Advisor.

ENERGY

Are Data Centers Really Driving Consumer Electricity Bills Higher?

Michelle M. Weaver, CFA, Equity Strategist, Morgan Stanley & Co. LLC
Stephen C. Byrd, Equity Strategist, Morgan Stanley & Co. LLC

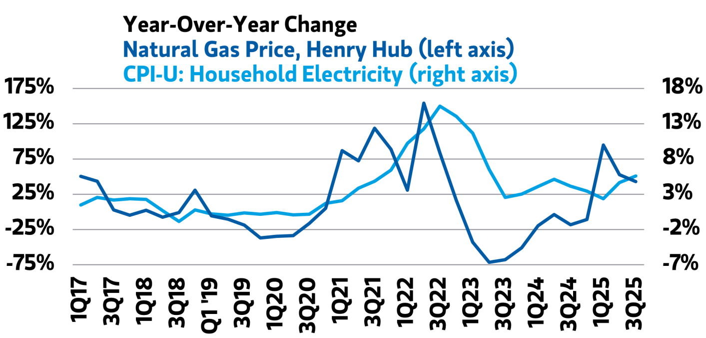
Household electricity bills have been rising steadily across the US, causing difficulty for consumers whose budgets have already been stretched by lingering inflation and slower real income growth. Increasingly, consumers are pointing to data center power demand as the culprit. While this is true to some extent, significant nuances exist at the state and regional levels.

WHAT IS HAPPENING WITH PRICES. Since natural gas is a primary input for electricity generation, gas and electricity prices have been closely linked historically—gas prices tend to lead electricity by about two quarters. After COVID, when natural gas prices surged 125% during the Russia-Ukraine war, electricity prices followed with a lag.

Yet, after gas prices fell, electricity inflation remained sticky at around 4%–5% year over year (see first chart). This persistence in electricity inflation may suggest demand-side forces are at work.

Overall, our economists expect the electricity Consumer Price Index (CPI) to remain in the 4%–5% range in 2026 and 2027 —above the pre-COVID trend.

Electricity Prices Remained Sticky Even When Natural Gas Prices Dropped

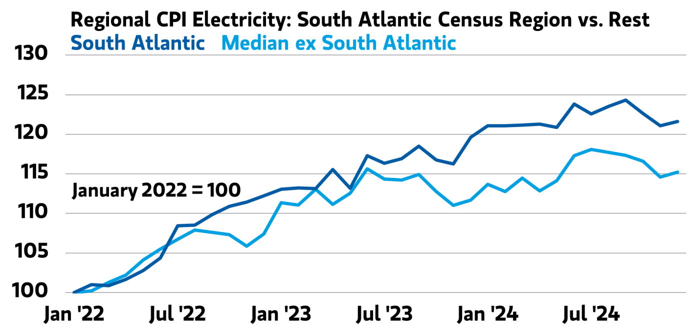


Source: EIA, BLS, Morgan Stanley & Co. Research, Morgan Stanley Wealth Management Global Investment Office as of Sept. 30, 2025

LINKING PRICES TO DATA CENTERS. Regional price patterns paint a more detailed story. Household electricity prices in the South Atlantic region have risen more than the national median has (see second chart). That is no coincidence: Northern Virginia, part of this region, hosts more than 600 data centers—the largest concentration in the world.

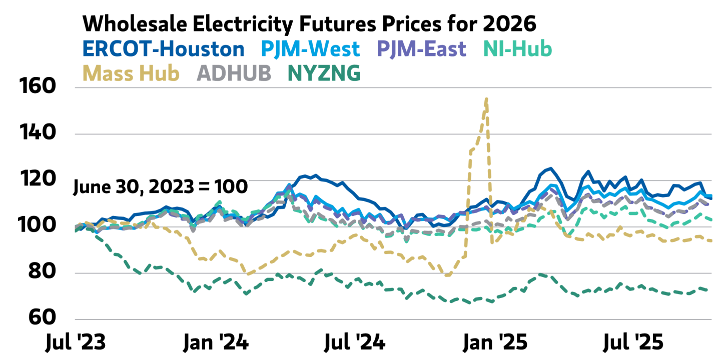
Although regional electricity CPI is volatile and part of this divergence might be driven by noise or short-run factors, electricity prices in the futures market point in the same direction. Prices for 2026 delivery in the Pennsylvania-New Jersey-Maryland Interconnection (PJM-West), which serves Northern Virginia, and the Electric Reliability Council of Texas (ERCOT)-Houston have been climbing faster than in other hubs (see third chart), signaling expectations of tighter conditions where data center activity is most intense.

South Atlantic Household Electricity Prices Rise by More Than Average



Source: BLS, Morgan Stanley & Co. Research, Morgan Stanley Wealth Management Global Investment Office as of Dec. 5, 2025

Wholesale Electricity Futures Show Upward Price Pressure in Areas With More Data Centers



Source: Morgan Stanley & Co. Research, Morgan Stanley Wealth Management Global Investment Office as of Oct. 17, 2025

THE IMPACT ON ELECTRICITY BILLS. This is in line with what Morgan Stanley and Co.'s utilities research team is seeing. So far, bill-affordability concerns have been primarily concentrated in PJM, a competitive electricity market covering 13 states and the District of Columbia. The regional transmission organizer (RTO) has struggled to add supply quickly, while demand forecasts have continued to be revised higher. This has led to a spike in capacity prices.

Residential customer rates have started to incorporate these price increases this year. In the service territory of Public Service Electric & Gas (PSE&G), for example, electric bills rose roughly 18% from January 2025 to June; the main driver was PJM's capacity auction price—an amount that utilities pay electricity generators to ensure steady power supply at a set future time, typically during peak demand periods.

STATE-BY-STATE STORY. It is important to note that the way electricity pricing is set varies by state. Electricity market restructuring in the 1990s transitioned some states from traditional, vertically integrated monopolies into competitive markets.

- In regulated markets, the utilities own and control the electricity supply chain from generation to distribution. They are regulated by federal and state agencies, such as state public utility or service commissions, and must get approval for customer rates, infrastructure investments, capital structure and returns.
- In deregulated markets, generation is open to competition, and electricity is sold through wholesale markets. Independent system operators (ISOs) and RTOs manage the flow of electricity in these markets, which should theoretically provide competitive lower costs and market signals to drive investment and efficiency. Key unregulated areas where we see major data center growth include PJM and ERCOT.

In unregulated markets, generation rate increases for customers do not need to be approved, and people living in these markets are therefore more susceptible to data center power demand driving their bills higher. This is increasingly a risk for companies serving unregulated markets, as they are more exposed to policy risk on the affordability front.

The risks to both customers and companies are becoming more apparent as data centers are reshaping US electricity demand composition. We see a case for data centers increasing their share of demand from around 6% in 2024 to 20% in 2035. While demand has been primarily split between residential, commercial and industrial end-users, by 2035 we expect increases in the relative composition for data centers and transportation, with declines in the more traditional bases of demand (see chart).

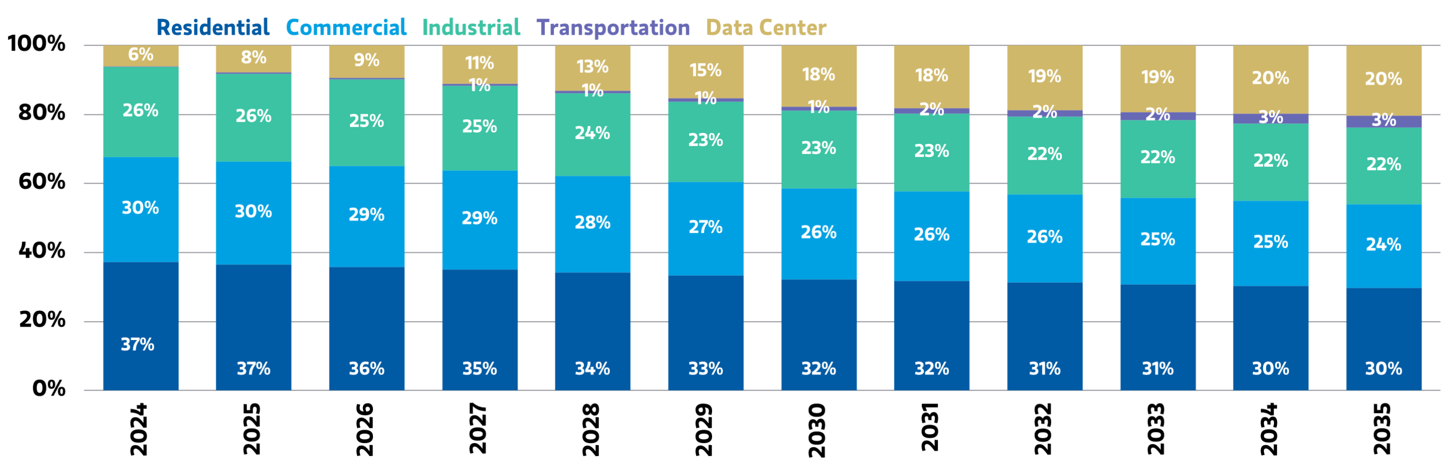
PUBLIC POLICY AND COMPANY RESPONSE. Policy proposals to insulate consumers from data center electricity costs are nascent and fragmented, with more action at the local and state levels than federal. However, we expect national attention on this issue to grow before the midterm elections in November.

Affordability is often a top voter issue, and recent elections were won in part on cost-of-living issues. Data center projects are significant in states that are set to be critical battlegrounds in the midterms, including California, Georgia, Michigan, Ohio, Pennsylvania and Texas.

Lawmakers in these states have begun to raise concerns about the impact of data centers on household energy bills; recently, 20 lawmakers wrote to the Federal Energy Regulatory Commission (FERC) requesting information on the issue. We would therefore not be surprised to see more proposals emerge at the federal level next year, mostly via federal agencies issuing frameworks or setting nationwide principles for how states should regulate data center usage locally.

LARGE-LOAD TARIFFS. Many utility commissions are designing and approving large-load tariffs to shield existing ratepayers, reduce stranded-asset risk and introduce a standard pathway for load requests. While each tariff is unique, they have similar key provisions across the country, including minimum charges, ramp schedules, exit fees, minimum demand thresholds, and credit and collateral requirements.

Data Centers Will Take Share of US Electricity Demand



Source: EIA, Morgan Stanley & Co. Research, Morgan Stanley Wealth Management Global Investment Office as of Dec. 5, 2025

The artificial intelligence (AI) hyperscalers have shown low price sensitivity to power costs and would likely be very willing to pay large-load tariffs to insulate consumers from price hikes. Based on analysis by MS & Co. Research, returns and profitability for the hyperscalers are generally more affected by pricing, model efficiency and capital cost—data center and GPU capital expenditures—than variable operating costs, including power and water.

PERCEPTION MATTERS. In a recent poll of 2,200 registered US voters, conducted by Morning Consult, more than half of respondents attributed overall electricity price increases to AI data centers at least somewhat. Notably, about 30% of respondents in every region and political group viewed data centers as *very* responsible for rising electricity costs, underscoring the broad perception that data center growth is contributing meaningfully to power price pressures.

Data center development is quickly becoming a not-in-my-backyard (NIMBY) issue not only because of pricing: Communities are increasingly pushing back—and getting projects cancelled—due to their concerns about the effects on the environment and water supply. In our view, companies will need to find ways to address these local concerns, while also ensuring that consumers are insulated from potentially higher electricity bills. ■

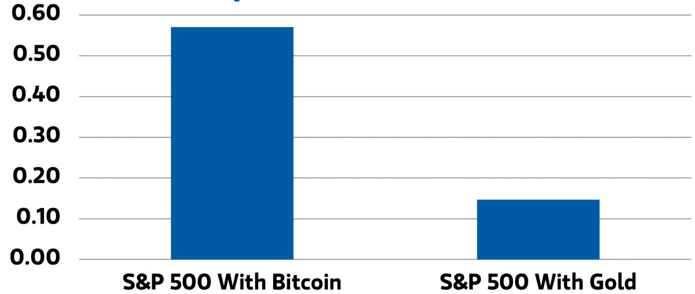
This article was excerpted from the Dec. 5, 2025, Morgan Stanley & Co. Research report, "Are Data Centers Really Driving Consumer Electricity Bills Higher?" For a copy of the full report, please contact your Financial Advisor.

Short Takes

When Diversification Mattered Most, Gold Outshone Bitcoin

True diversification lies in the numbers. Though often touted as a diversifier, bitcoin's monthly return correlation with the S&P 500 Index has been significantly higher than gold's over the past five years. During stress periods, the difference has been stark: In months when the S&P 500 Index experienced lowest-quintile performance, its correlation with bitcoin was roughly 0.6, versus about 0.15 with gold. Similarly, during months marked by top-quintile spikes in volatility, as measured by the CBOE Volatility Index, or VIX, bitcoin averaged about a 2% loss, while the Bloomberg US Long Treasury Index fell 0.6% and gold gained 0.4%. Despite its "digital gold" label, bitcoin has primarily behaved as a risky asset, offering far less diversification potential than gold.—*Alfredo Pinel, CAIA and Sonny Mendez*

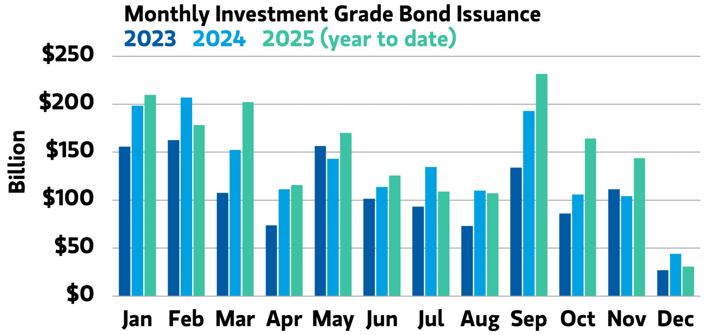
Return Correlation: The S&P 500 Index vs. Bitcoin and Gold in the Lowest-Quintile Months for the S&P 500 Since 2020



Source: Bloomberg, Morgan Stanley Wealth Management Global Investment Office as of Dec. 22, 2025

Rising Investment Grade Bond Issuance: A Sign of What's to Come?

Monthly Investment Grade Bond Issuance

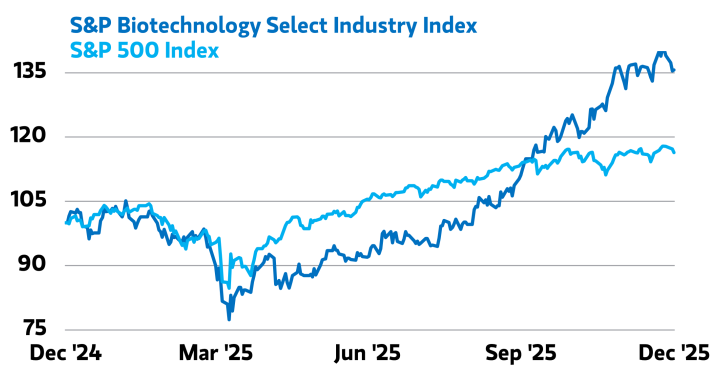


Source: Morgan Stanley & Co. Research, Dealogic, Morgan Stanley Wealth Management Global Investment Office as of Dec. 4, 2025

High interest rates and subdued capital market activity have characterized much of the post-COVID period—but now this appears to be changing. Morgan Stanley & Co. Research analysts forecast an inflection point in 2026 as economic conditions become more conducive to capital raising. Indeed, investment grade bond issuance has already started to rise, with 2025 volume through November up 11% year over year. The uptick coincided with a surge in multitranche mergers-and-acquisitions transactions and increased debt issuance from hyperscalers such as Meta and Google. According to MS & Co. analysts, the rebound in issuance and acquisition-related financing reflects an overall loosening of capital constraints, signaling the potential for further acceleration in the year ahead.—*Lucy Chen*

Biotech Soars in the Fourth Quarter

After lagging for most of 2025, US biotechnology stocks powered ahead in the fourth quarter, outpacing the broader S&P 500 by 19.7%. Interest rate cuts, clinical breakthroughs and a series of FDA approvals contributed to a risk-on environment, particularly in the small- and mid-cap biotech space. MS & Co.'s biotech research team sees room for companies in that space to outperform long term thanks to improved net cash positioning on balance sheets and attractive valuations for clinical-stage companies due to earlier concerns about FDA operations and potential mergers and acquisitions as large-cap biopharmaceuticals approach a patent cliff. Additionally, in the team's view, the rise of Chinese biotech might encourage the Trump administration to streamline the drug approval process.—*Joe Logan, CFA*



Source: FactSet as of Dec. 31, 2025

INDIA

Why India May Be a Surprise Turnaround Story

Chetan Ahya, Chief Asia Economist, Morgan Stanley Asia Limited+

Investors have faced a series of disappointments related to India's macroeconomic environment over the past year: sluggish nominal GDP growth momentum, the absence of a trade deal with the US and more recently, the weakness of the rupee. Indeed, investor sentiment toward India today feels almost as bad as the skepticism toward China back in July and August 2024. Interestingly, before the recent bout of currency weakness, we sensed nascent willingness to engage in the India story, but the fast pace of rupee depreciation late last year essentially snuffed that out.

At this point, however, we think investors' concerns may be overdone. In fact, we see growth momentum building and suspect that India may be the biggest upside surprise in Asia for 2026.

THE RUPEE: WHERE WE ARE NOW. The Indian rupee has borne the brunt of investors' concerns. Over 2025, the currency weakened approximately 5% against the US dollar, falling to a record low in December, and the Reserve Bank of India (RBI) intervened several times to support it. Foreign investors pulled some $17.8 billion out of India's equity market last year, which compares with an outflow of $1.3 billion in 2024 and an inflow of $21.4 billion in 2023.

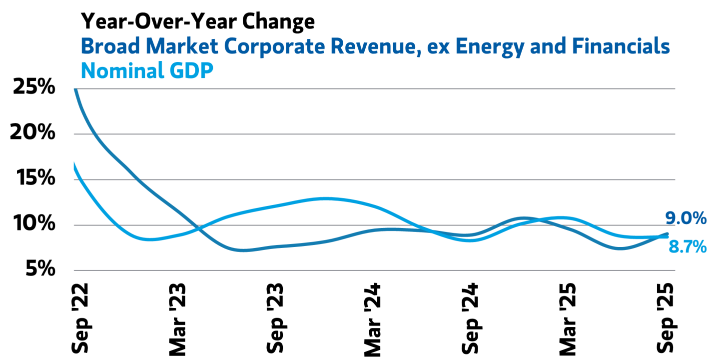
Currently, the rupee's real effective exchange rate (REER) is more than three standard deviations from its 10-year mean. The currency valuation metric is worse than during the Great Financial Crisis and only slightly better than during the 2013 "taper tantrum."

The weakening of the currency can be traced to several developments in 2025.

First, India's nominal GDP growth has been relatively slow, dipping below a double-digit pace for four of the past six quarters. Corporate revenue growth, on which investors are laser focused, has slowed even more (see chart). Excluding energy and financials, broad market corporate revenue growth dropped to an eight-quarter low of 7.4% year over year for the June 2025 quarter before recovering to 9% in the following quarter. Investors seem unconvinced that policy easing will help boost growth, attributing recent strength in consumer spending to a "sugar rush" from a cut in the Goods and Services Tax (GST).

The absence of a trade deal with the US has also weighed heavily, given that most other economies in Asia already have one in place and that many had expected the contours of a US-India deal by last autumn. The tariffs on US imports from India are the highest in the region, at 35% on a weighted-average basis, versus 32% on US imports from China and an average of 14% for the region ex China and India. Although this has led investors to worry about the implications for India's growth, we note that the nominal trade-weighted exchange rate has already depreciated by 7.8% since last January, more than offsetting the increase in the weighted-average tariff rate of 6.7 percentage points. In addition, exports to the US have been holding up overall.

Weak Corporate Revenue Growth Has Slowed by Even More Than Nominal GDP Growth, Weighing on Investor Confidence



Source: CEIC, Capitaline, Morgan Stanley & Co. Research, Morgan Stanley Wealth Management Global Investment Office as of Sept. 1, 2025

The goods trade deficit reached a new high in October, driven in large part by a surge in gold imports. Here, we think the wider deficit was due to holiday effects: Exports declined with fewer working days during Diwali in October, and the festive season overall, which began in late September, had the effect of lifting gold imports. Indeed, November trade data showed a significant narrowing of the trade balance.

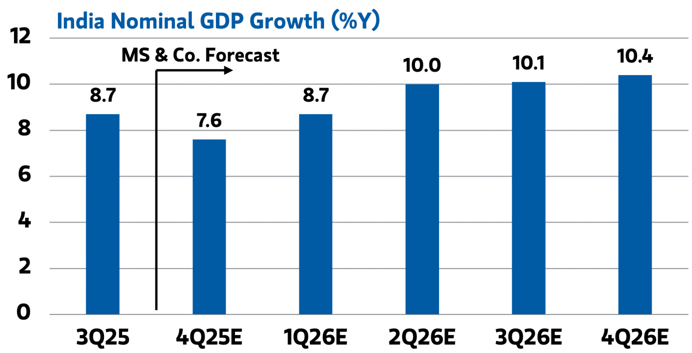
Another concern has been deflationary pressure from China. India's Wholesale Price Index (WPI) has come under downward pressure, especially for the segments where the trade balance with China has widened. This, in turn, has exerted downward pressure on corporate pricing power and revenue growth. The rupee depreciated by about 10.5% against the Chinese renminbi in 2025.

Investors have been unclear about the RBI's reaction function. Initially, investors inferred that the central bank was allowing the currency to depreciate to offset the rise in trade-weighted tariffs. However, the RBI intervened forcefully in October as the REER dipped meaningfully and again in December when the currency was at its weakest versus the dollar. Yet, during a drop of 1% against the dollar in a single day—Nov. 21—it took no apparent action.

Corporate hedging activity appears to have increased. The exchange rate with the US dollar was largely stable in 2023 and much of 2024, which led the corporate sector to reduce hedging to below trend. But with the recent volatility, both exporters and importers may be raising their hedging activity, exacerbating moves in the rupee in the near term.

UPSIDE POTENTIAL. We expect the pressures on the currency to ease as growth strengthens in 2026. In our base case, the rupee should appreciate to 86.7 against the US dollar by the second quarter of this year, with an implied appreciation of nearly 5%—one of the strongest in the region. Meanwhile, nominal GDP growth should recover to 10.4% by the fourth quarter, up from an estimated 7.6% in fourth quarter 2025 (see chart), which will also mark the strongest pace of nominal GDP growth in the region.

We Expect Nominal GDP Growth to Accelerate From 7.6% in the Fourth Quarter of 2025 to 10.4% in the Fourth Quarter of 2026



Source: Haver Analytics, Morgan Stanley & Co. Research, Morgan Stanley Wealth Management Global Investment Office as of Dec. 15, 2025

Why the turnaround? First, we expect nontechnology exports to recover starting in early 2026, aided by the easing in trade tensions and lagged effects of monetary easing. This broadening of the export recovery should provide a tailwind for India.

In addition, we believe the policy tilt toward easing should sustain a consumer-led recovery. The combination of front-loaded interest rate cuts, income tax cuts, a decline in supply-side inflation boosting real income, GST cuts and regulatory easing by the RBI—particularly for nonbanking financial companies—should drive stronger consumer spending.

Already, incoming high-frequency data following the festive season has been strong, suggesting the consumption momentum lasted beyond the holidays. For example:

- Passenger car registration growth reached 11% post-festive season versus 10% during the festive season.
- Daily credit card spending held at 10.2% versus 17.6%.
- The Naukri JobSpeak Report shows employment growth bottomed and accelerated to a yearly pace of 8.1% on a three-month moving average basis in November.
- GST collections (adjusting for GST cuts) remained robust, growing by 9.6% on a yearly basis as of November.

Better prospects for consumption growth and improvement in exports should help reduce disinflationary pressures, in turn helping to lift nominal GDP growth, in our view. We see the GDP deflator improving from 0.5% currently to 3.8% on a yearly basis in the fourth quarter of 2026. Against this backdrop, we expect corporate earnings to stage a strong rebound, with broad market earnings growth improving to 22% in fiscal year 2027, which ends in March 2027, versus an expected 5% in fiscal year 2026.

Improving nominal GDP growth and corporate revenue growth, in turn, would aid equity inflows, while Indian government bond flows could potentially see tailwinds from inclusion in the Bloomberg Global Aggregate Index, expected to begin in April this year. As inflows increase, pressure on the rupee would ease as well. ■

This article was excerpted from the Dec. 15, 2025, Morgan Stanley & Co. Research report, "The Viewpoint: India Will Be a Surprise Turnaround Story for 2026." For a copy of the full report, please contact your Financial Advisor.

US CREDIT

Deregulation Reshaping Credit Markets

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Last month marked a pivotal moment in financial deregulation: the withdrawal of the 2013 leveraged lending guidelines by the Office of the Comptroller of the Currency (OCC) and the Federal Deposit Insurance Corporation (FDIC). With the Federal Reserve expected to follow suit, the consequences for both public and private credit markets should be significant.

THE GFC CONTEXT. The leveraged lending guidelines were issued in March 2013 by the Fed, FDIC and OCC in the wake of the Great Financial Crisis. They set supervisory expectations for banks on managing risk in leveraged transactions, emphasizing sound business fundamentals, robust capital structures and borrower repayment capacity, anchored by specific leverage metrics. Most notably, the guidelines flagged total debt-to-EBITDA ratios above six times as a supervisory concern. In practice, this “guidance” was enforced as a de facto rule, particularly around that leverage threshold.

Although enforcement eased over time, the 2013 guidelines fundamentally reshaped underwriting standards and influenced credit risk appetite across the financial system. By limiting banks’ ability to underwrite highly leveraged loans, the guidelines created a vacuum that unregulated nonbank lenders were quick to fill—catalyzing the extraordinary rise of private credit. Once a niche corner of the credit ecosystem, private credit has evolved into a dominant force, now accounting for nearly one-third of the leveraged finance market. At approximately $1.3 trillion outstanding, the direct lending segment of private credit is approaching the scale of US high yield bonds at $1.4 trillion and broadly syndicated leveraged loans at $1.5 trillion.

Although the Fed was not on the joint announcement by the FDIC and OCC last month, the Fed’s vice chair for supervision, Michelle Bowman, has advocated easing other bank regulations, as The Wall Street Journal noted, and the Fed is expected to follow the other regulatory agencies on the leveraged lending guidance. However, withdrawing the 2013 framework may require a Board of Governors vote, a procedural hurdle that could delay implementation by the Fed.

STRUCTURAL CHANGE. Rescinding the leveraged lending guidelines marks a structural shift that could impact pricing, liquidity and deal structures—creating new opportunities but also raising the risk of weaker lending standards. Overall, we see the change, once the Fed is on board, as credit-positive and a fillip to credit availability that should be supportive of the broader economy if it spurs more hiring and spending. Additionally, improved credit access for nonstressed borrowers at the lower end of the spectrum will likely prolong the credit cycle. This would amplify the “risk reboot” sentiment in our 2026 credit outlook, where we called for high yield bonds and leveraged loans to outperform investment grade credit. As we didn’t assume a rollback of the guidelines when we made our forecast for the coming year, this development reinforces our conviction.

That said, the near-term impact may be muted. On the surface, leverage greater than six times EBITDA maps to low-single-B or CCC borrowers in public markets, and these are names often burdened by idiosyncratic risks or punitive financing costs that easier credit access won’t solve. Instead, we see the change contributing to a broader setup that supports our preference for leveraged over investment grade credit.

IMPACT ON PRIVATE CREDIT. We see several implications for private credit markets, in particular, as banks reemerge as competitors.

In recent years, the spread differential has narrowed between the public broadly syndicated loan (BSL) market and the private direct lending market for large companies and large deals. These companies increasingly treat BSL and private credit as interchangeable financing channels. A similar shift may now occur at the other end of the spectrum: smaller companies and smaller loans. Here, public markets do not currently compete with direct lending. For these borrowers, while bank lending slowed with the onset of the 2013 guidelines, private credit grew into the dominant option as size constraints limited their public market access. These lower-tier, middle-market borrowers now stand to benefit from additional bank credit availability. As the overall credit pie expands, though, lending standards could potentially loosen: Covenants for smaller borrowers have remained tight in private credit so far, but competitive pressures could lead to accommodative credit conditions.

Heightened competition with banks for traditional direct lending mandates is likely not only for the lower middle market but also for the upper middle market, as public channels gain underwriting flexibility. That said, with private credit increasingly driven by investors seeking quality exposure, such as insurance companies and endowments, we expect a continued pivot toward investment grade structures, particularly in asset-based finance. ■

This article was excerpted from the Dec. 14, 2025, Morgan Stanley & Co. Research report, “Deregulation Reshaping Credit Markets.” For a copy of the full report, please contact your Financial Advisor.

EXECUTIVE PERSPECTIVES

Executive Perspectives: A New Arena for Retail

The following is an edited excerpt from Morgan Stanley & Co.'s Exceptional Leaders/Exceptional Ideas series. The video conversation with Dick's Sporting Goods Executive Chairman Ed Stack was posted on Nov. 11, 2025.

When Ed Stack took over Dick's Sporting Goods in 1984, his main objective was keeping the family business afloat. The company wasn't well capitalized, and certain brands wouldn't sell through it. Today, Dick's is the dominant player in sporting goods, with more than 850 stores in nearly every state in the US. And it is one of the most innovative names in retail, connecting with customers through immersive experiences in the store, on the playing field and even digitally. Simeon Gutman, Morgan Stanley & Co.'s retail analyst, recently sat down with Stack, now the company's executive chairman, at a House of Sport to discuss how he led the company through pivotal periods and what he envisions for the future.

Simeon Gutman (SG): What was your first job at Dick's, and growing up, did you imagine yourself joining the family business?

Ed Stack (ES): My father put me to work in the warehouse when I was 13 because he was going to teach me responsibility. I unloaded trucks and swept floors. When I was 15, he put me on the sales floor, starting to wait on customers. I hated every minute of it. I wanted nothing to do with the family business. And when I went off to college, I never expected to come back. As I was getting ready to get out of school, my dad got really sick, and I came back into the business. Somewhere along the line, I fell in love with the business. And it's a love affair that's alive and well today.

SG: You took over Dick's in 1984. What were your aspirations back then?

ES: To be honest with you, it was a small family business with two little stores in Binghamton, NY. And the vision was really merely survival. We weren't very well capitalized. And Adidas and Puma—the two hot athletic brands at that time—wouldn't sell through us.

SG: How has Dick's become more intentional about culture, and how do you scale that across 850-plus stores?

ES: Culture is difficult to define because you can't pick it up and look at it. You can't kind of put it in a box and distribute it out to the stores. It's something that's got to be learned through osmosis. It's got to be led through the values that the company has.

I think one thing in particular helped with our culture: The easiest thing to say when you're having a business conversation around a new idea is, "No, no, that won't work." And we made a change several years ago, and said that whenever we're having a meeting and somebody comes up with a new idea, nobody can lead with "No, because ..." Every comment after that has to be "Yes, if ..." It has to be "Yes, we could do that if we can do this, this and this." And it's made a huge difference.

SG: For those who haven't experienced one, how would you describe Dick's House of Sport? And what is the return on the experience here?

ES: You have to get into the space to really understand it, because of the size, the products and the interactivity. This has been 10 years in the making. As we did that, we designed it and we walked through it. I said, "It's not different enough from what we're doing today." So we scrapped it, put it on hold, and came back about six years ago and started the project again. The first one we did was roughly 100,000 square feet. There is a field right next to it so kids can come and practice. You can have events there. We've got 25 now, and we'll have 35 by the end of the year.

SG: In a retail industry that's struggling to get people to come to stores, here's a category—sporting goods—and a physical box that people want to come to and experience.

ES: If you're an athlete, this is the place you want to come to. If you talked to an analyst five, six, seven years ago, they would say, "I don't really know how many stores you have, but you have too many. And I don't really know how big your store is, but it's too big, because you should shrink your store and have fewer stores." And when people would ask me, "In 10 years, what will your footprint look like?" I would tell them, "I think we will have approximately the same number of stores, but we'll have a lot more square footage."

They didn't particularly like that because they didn't understand what House of Sport was going to become. When Nike first came in to see the store, they said, "This is the best expression of sport anywhere in the world."

SG: Tell us about your app GameChanger, which is a $100 million seasonally adjusted annual sales business with 9 million members. Did you always see it as a scalable platform, or did it evolve into something bigger?

ES: Every month, we stream more baseball games—Little League games, high school games—than all the Major League Baseball games played since the beginning of time. We're doing this now with basketball. We're looking at soccer.

Technology is an important part of our business. We want to be involved with the customers, who we refer to as athletes. We want to be involved with the athletes and their entire journey, whether that's what they're doing from a research standpoint or providing them suggestions on what they should buy or how they can get better.

People love GameChanger. The satisfaction level is extremely high. If you're a mom or dad and you're traveling for work, you can stream that game right on your phone. And that's why the business has continued to grow at roughly 40% a year. And that's what we're really heading toward with this idea to be the best sports company in the world.

SG: Youth sports participation has faced some headwinds in recent years. What do you see as the biggest barriers, and how is Dick's working to address them?

ES: Sports and culture are at an intersection: It's never been like this before. And that's happening all around the world. Our youth sports business has been on fire. Our baseball business has been great. Our soccer business has been great. The lacrosse business and basketball business as well. The World Cup is going to help drive youth participation.

Look at what's going on in women's basketball right now. With Caitlin Clark and A'ja Wilson and Sabrina Ionescu. Our No.1 selling basketball shoe is Sabrina's because boys are buying it, too. We run a camp every year for five- and six-year-olds where they come and play a different sport every day. We introduce them to basketball one day, golf another day, then baseball and football.

SG: The Foot Locker acquisition raised some eyebrows. What was the rationale behind it? And what do you say to the skeptics?

ES: Foot Locker gives us the opportunity to have a global presence, which we don't have today. It gives us an opportunity to engage with the consumer that we don't have today. And we've always talked about this, that we don't make investments from one quarter to the next. We make investments for a lifetime.

SG: What do you hope your legacy will be? Not just at Dick's, but in how retail leaders think about culture, innovation and impact?

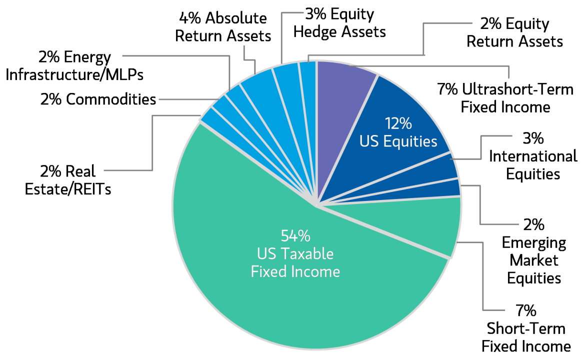
ES: I don't really think about my legacy. I think about how the business will grow and survive going forward when I'm not involved any longer. I think we're in really good shape. And to be able to do that, you have to have the right people. And CEO Lauren Hobart is absolutely the right person, I couldn't be more proud of the management team. The legacy for our company and for me would be that this continues to go on for generations. ■

Ed Stack is not an employee of Morgan Stanley Wealth Management or its affiliates. Opinions expressed by him are his own and may not necessarily reflect those of Morgan Stanley Wealth Management or its affiliates.

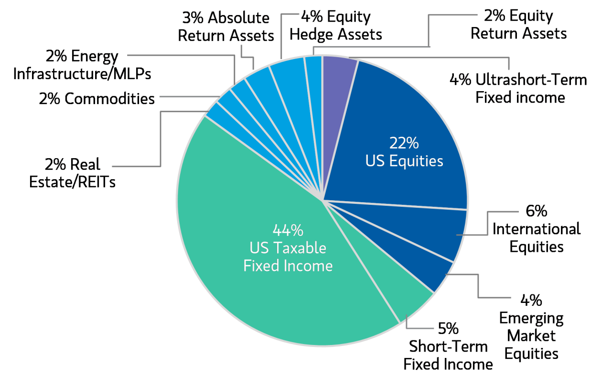
Global Investment Committee Tactical Asset Allocation

The Global Investment Committee provides guidance on asset allocation decisions through its various allocation models. The five models below include allocations to traditional assets, real assets and hedged strategies. They are based on an increasing scale of risk (expected volatility) and expected return.

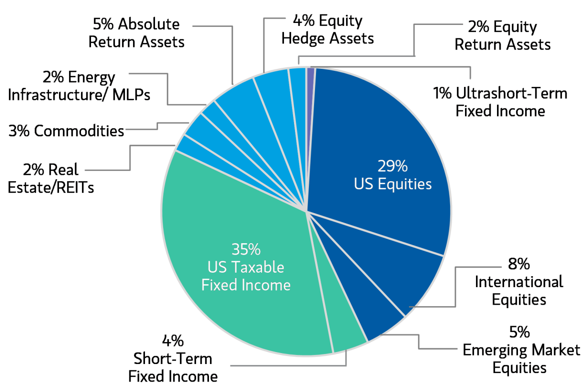
Wealth Conservation



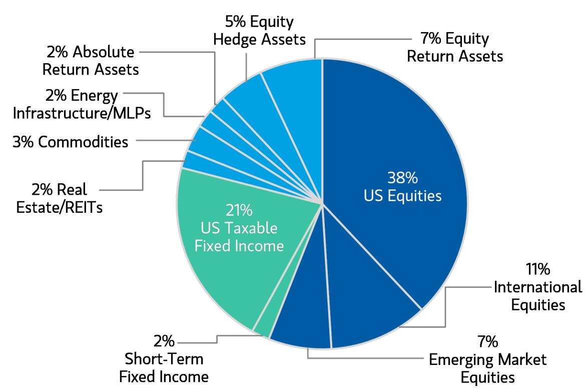
Income



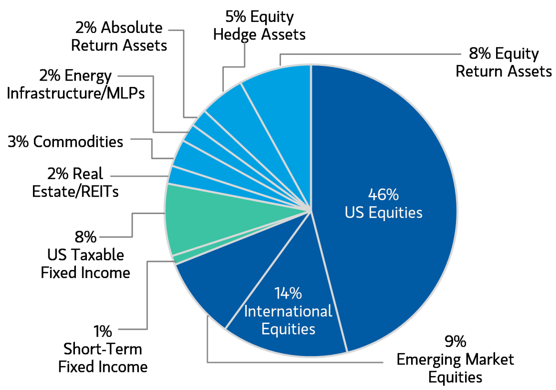
Balanced Growth



Market Growth



Opportunistic Growth



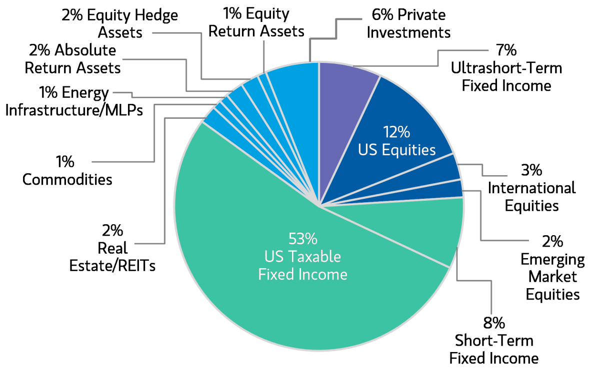
Key

- **Ultrashort-Term Fixed Income**
- **Fixed Income & Preferreds**
- **Equities**
- **Alternatives**

Source: Morgan Stanley Wealth Management GIC as of Jan. 5, 2026

The Global Investment Committee provides guidance on asset allocation decisions through its various allocation models. The five models below include allocations to traditional assets and alternative investments, including privates, and are recommended for investors with over $10 million in investable assets. They are based on an increasing scale of risk (expected volatility) and expected return.

Wealth Conservation



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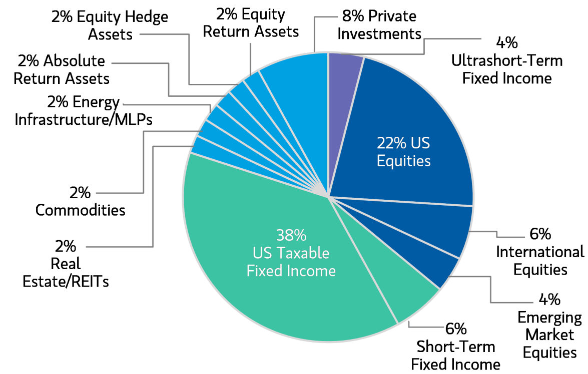

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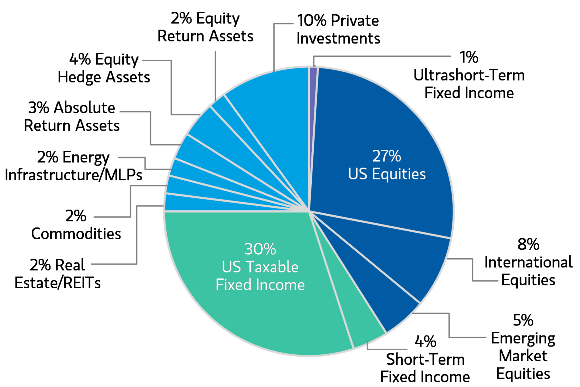
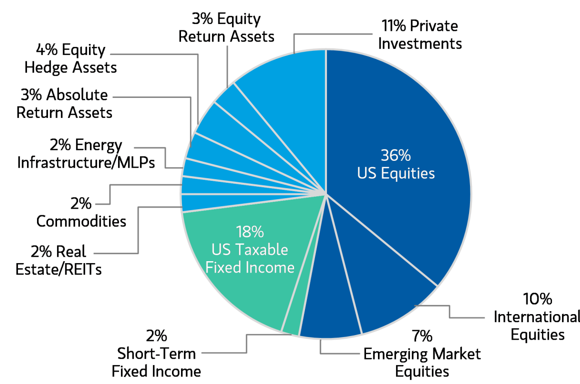
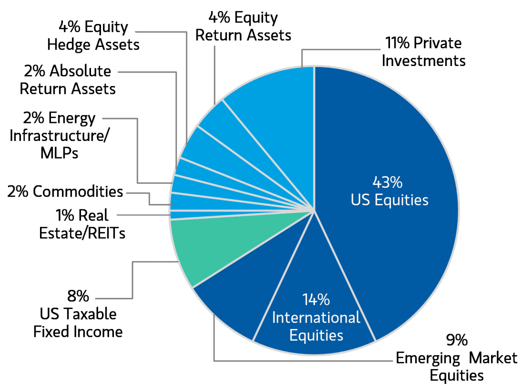


Market Growth



Opportunistic Growth



Key

- Ultrashort-Term Fixed Income
- Fixed Income & Preferreds
- Equities
- Alternatives

Source: Morgan Stanley Wealth Management GIC as of Jan. 5, 2026

Tactical Asset Allocation Reasoning

Global Equities	Weight Relative to Model Benchmark	
US	Overweight	Although US large-cap stocks, as measured by the S&P 500 Index, were recently up approximately 35% from their April 8 closing low, for one of the swiftest six-month rebounds outside of a recession recovery, they have materially trailed small-cap, micro-cap and unprofitable tech. While we don't see a recession in 2026, we also don't see a strong enough boom to lift all those boats, and we sense that the crosscurrents of stimulus will continue to favor BIG over small. We see opportunity to rotate portfolios up in quality, including reloading in "Mag 7" names, where prospects for achieving ambitious earnings growth forecasts in 2026 are higher. We added to our Overweight on Oct. 15.
International Equities (Developed Markets)	Underweight	Recent outperformance has been catalyzed as responses to the "America First" agenda have driven fiscal stimulus and concerns about tariffs have been cooling rest-of-world (ROW) inflation. This is creating ROW opportunities to simultaneously enjoy monetary, fiscal and currency-related stimulus. The outlook is improving in Japan. Exported deflation from China and lower global oil prices help.
Emerging Markets	Overweight	China stimulus, while potentially insufficient to address the challenges of the country's secular bear market, is likely enough to help stabilize the downturn in the short term. The US-China trade conflict remains a wild card, and we expect the "bazooka" of China stimulus may come in light of ongoing trade tensions. Given that valuations in the region are already nondemanding, we are inclined to be patient and wait for recovery. A weaker US dollar and lower global energy prices are positives for Latin America and Southeast Asia.
Global Fixed Income	**Weight Relative to Model Benchmark**	
US Investment Grade	Underweight	The Fed easing cycle, including some assumptions around the loss of Fed independence in 2026, has been baked into the US Treasury yield curve, with another four to five 25-basis-point rate cuts discounted. As a result, we are materially reducing short-duration exposure and moving toward the "belly of the curve" to capture decent coupons with lower price volatility. We see the long end continuing to be plagued by structural imbalances that show up as widening term premiums, with the two-year/30-year portion of the curve remaining in a steepening pattern.
International Investment Grade	Market-Weight*	Yields are decent, central banks have begun to cut rates and there is room for spread tightening as economic growth improves. Currency impact is a tailwind for US dollar investors.
Inflation-Protection Securities	Underweight	Real yields have sold off and are now bordering on cheap relative to the past two years. The securities could be a potential buy in a stagflation environment.
High Yield	Market-Weight*	We have eliminated our exposure to the equity-like asset class to reduce equity beta of portfolios. High yield bonds rallied aggressively after the unprecedented provision of liquidity from the Fed and fiscal stimulus from Washington. However, we believe there is currently limited upside. Ultra-tight spreads may be the result of increasing competition for capital among private credit financial sponsors and general partners and may not fully reflect adequate compensation for default risk.
Alternative Investments	**Weight Relative to Model Benchmark**	
REITs	Underweight	We expect higher stock-bond correlations, which places a premium on the diversification benefits of investing in real assets. Nevertheless, with real interest rates positive and services inflation remaining quite sticky, we would need to be selective in adding to this asset class broadly. We are focused on interesting opportunities aimed at solving the residential housing shortage.
Commodities	Overweight	Gold may be part of a secular growth story around collateralizing stablecoins and other cryptocurrencies as fiat currencies lose appeal. Global reflation, tense geopolitics, especially in the Middle East, and ongoing fiscal spending suggest decent upside potential for precious metals and industrial commodities, including energy-related.
MLP/Energy Infrastructure	Overweight	We previously increased exposure to real assets, with a preference for energy infrastructure and MLPs. Competitive yields and expectations for continued capital discipline amid stable oil and gas prices underpin our decision, as does hedging against geopolitical risks.
Hedged Strategies (Hedge Funds and Managed Futures)	Overweight	We recently added to equity hedged positions, noting the pickup in idiosyncratic risk, falling borrowing costs and rising volatility. The current environment appears constructive for hedge fund managers, who are frequently good stock pickers and can use leverage and risk management to potentially amplify returns. We prefer very active and fundamental strategies, especially high quality, low beta, low volatility and absolute return hedge funds.

*The GIC asset allocation models' benchmarks do not include any exposure to this asset class.
Source: Morgan Stanley Wealth Management GIC as of Jan. 5, 2026

Disclosure Section

Important Information

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For index, indicator and survey definitions referenced in this report please visit the following: https://www.morganstanley.com/wealth-investmentsolutions/wmir-definitions

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Glossary

Alpha is the excess return of an investment relative to the return of a benchmark index.

Artificial Intelligence (AI) A field of study that seeks to train computers to process large amounts of unstructured information in a manner similar to human intelligence, capable of performing tasks such as learning and problem solving.

Beta is a measure of the volatility, or systematic risk, of a security or a portfolio in comparison to the market as a whole.

Correlation This is a statistical measure of how two securities move in relation to each other. This measure is often converted into what is known as correlation coefficient, which ranges between -1 and +1. Perfect positive correlation (a correlation coefficient of +1) implies that as one security moves, either up or down, the other security will move in lockstep, in the same direction. Alternatively, perfect negative correlation means that if one security moves in either direction the security that is perfectly negatively correlated will move in the opposite direction. If the correlation is 0, the movements of the securities are said to have no correlation; they are completely random. A correlation greater than 0.8 is generally described as strong, whereas a correlation less than 0.5 is generally described as weak.

Equity risk premium is the excess return that an individual stock or the overall stock market provides over a risk-free rate. The risk-free rate represents the interest an investor would expect from an absolutely risk-free investment over a specified period of time.

Price to forward earnings calculates the price-to-earnings ratio that uses projected future earnings.

Real Gross Domestic Product (GDP) is the GDP of the country measured at current market prices and adjusted for inflation or deflation.

Volatility This is a statistical measure of the dispersion of returns for a given security or market index. Volatility can either be measured by using the standard deviation or variance between returns from that same security or market index. Commonly, the higher the volatility, the riskier the security.

Hedged Strategy Definitions

Absolute return: This type of investing describes a category of investment strategies and mutual funds that seek to earn a positive return over time—regardless of whether markets are going up, down, or sideways—and to do so with less volatility than stocks.

Equity Hedge is a hedge fund investment strategy with a typical goal of providing equity-like returns while limiting the impact of downside market movements and volatility on an investor's portfolio. Managers utilize long and short positions, primarily in equity and equity-related instruments, to achieve this goal.

Risk Considerations

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. Morgan Stanley Wealth Management has not considered the actual or desired investment objectives, goals, strategies, guidelines, or factual circumstances of any investor in any fund(s). Before making any investment, each investor should carefully consider the risks associated with the investment, as discussed in the applicable offering memorandum, and make a determination based upon their own particular circumstances, that the investment is consistent with their investment objectives and risk tolerance.

Alternative Investments

Alternative investments may be either traditional alternative investment vehicles, such as hedge funds, fund of hedge funds, private equity, private real estate and managed futures or, non-traditional products such as mutual funds and exchange-traded funds that also seek alternative-like exposure but have significant differences from traditional alternative investments. Alternative investments often are speculative and include a high degree of risk. Investors could lose all or a substantial amount of their investment. Alternative investments are appropriate only for eligible, long-term investors who are willing to forgo liquidity and put capital at risk for an indefinite period of time. They may be highly illiquid and can engage in leverage and other speculative practices that may increase the volatility and risk of loss. Alternative Investments typically have higher fees than traditional investments. Investors should carefully review and consider potential risks before investing. Certain of these risks may include but are not limited to: Loss of all or a substantial portion of the investment due to leveraging, short-selling, or other speculative practices; Lack of liquidity in that there may be no secondary market for a fund; Volatility of returns; Restrictions on transferring interests in a fund; Potential lack of diversification and resulting higher risk due to concentration of trading authority when a single advisor is utilized; Absence of information regarding valuations and pricing; Complex tax structures and delays in tax reporting; Less regulation and higher fees than mutual funds; and Risks associated with the operations, personnel, and processes of the manager. Further, opinions regarding Alternative Investments expressed herein may differ from the opinions expressed by Morgan Stanley Wealth Management and/or other businesses/affiliates of Morgan Stanley Wealth Management.

Certain information contained herein may constitute forward-looking statements. Due to various risks and uncertainties, actual events, results or the performance of a fund may differ materially from those reflected or contemplated in such forward-looking statements. Clients should carefully consider the investment objectives, risks, charges, and expenses of a fund before investing.

Alternative investments involve complex tax structures, tax inefficient investing, and delays in distributing important tax information. Individual funds have specific risks related to their investment programs that will vary from fund to fund. Clients should consult their own tax and legal advisors as Morgan Stanley Wealth Management does not provide tax or legal advice.

Interests in alternative investment products are offered pursuant to the terms of the applicable offering memorandum, are distributed by Morgan Stanley Smith Barney LLC and certain of its affiliates, and (1) are not FDIC-insured, (2) are not deposits or other obligations of Morgan Stanley or any of its affiliates, (3) are not guaranteed by Morgan Stanley and its affiliates, and (4) involve investment risks, including possible loss of principal. Morgan Stanley Smith Barney LLC is a registered broker-dealer, not a bank.

It is important to note that only eligible investors can invest in alternative investment funds and that in order for an FA/PWA to engage a prospective investor in general discussions about Alternative Investments and specifically with regards to Private Funds, the prospective investor will need to be pre-qualified through the Reg D system.

Managed futures investments are speculative, involve a high degree of risk, use significant leverage, have limited liquidity and/or may be generally illiquid, may incur substantial charges, may subject investors to conflicts of interest, and are usually appropriate only for the risk capital portion of an investor's portfolio. Before investing in any partnership and in order to make an informed decision, investors should read the applicable prospectus and/or offering documents carefully for additional information, including charges, expenses, and risks. Managed futures investments are not intended to replace equities or fixed income securities but rather may act as a complement to these asset categories in a diversified portfolio.

Hedge funds may involve a high degree of risk, often engage in leveraging and other speculative investment practices that may increase the risk of investment loss, can be highly illiquid, are not required to provide periodic pricing or valuation information to investors, may involve complex tax structures and delays in distributing important tax information, are not subject to the same regulatory requirements as mutual funds, often charge high fees which may offset any trading profits, and in many cases the underlying investments are not transparent and are known only to the investment manager.

Hedge Funds of Funds and many funds of funds are private investment vehicles restricted to certain qualified private and institutional investors. They are often speculative and include a high degree of risk. Investors can lose all or a substantial amount of their investment. They may be highly illiquid, can engage in leverage and other speculative practices that may increase volatility and the risk of loss, and may be subject to large investment minimums and initial lockups. They involve complex tax structures, tax-inefficient investing and delays in distributing important tax information. Categorically, hedge funds and funds of funds have higher fees and expenses than traditional investments, and such fees and expenses can lower the returns achieved by investors. Funds of funds have an additional layer of fees over and above hedge fund fees that will offset returns.

Private Real Estate: Risks of private real estate include: illiquidity; a long-term investment horizon with a limited or nonexistent secondary market; lack of transparency; volatility (risk of loss); and leverage.

An investment in an **exchange-traded fund** involves risks similar to those of investing in a broadly based portfolio of equity securities traded on an exchange in the relevant securities market, such as market fluctuations caused by such factors as economic and political developments, changes in interest rates and perceived trends in stock and bond prices. Investing in an international ETF also involves certain risks and considerations not typically associated with investing in an ETF that invests in the securities of U.S. issues, such as political, currency, economic and market risks. These risks are magnified in countries with emerging markets, since these countries may have relatively unstable governments and less established markets and economics. ETFs investing in physical commodities and commodity or currency futures have special tax considerations. Physical commodities may be treated as collectibles subject to a maximum 28% long-term capital gains rates, while futures are marked-to-market and may be subject to a blended 60% long- and 40% short-term capital gains tax rate. Rolling futures positions may create taxable events. For specifics and a greater explanation of possible risks with ETFs¸ along with the ETF's investment objectives, charges and expenses, please consult a copy of the ETF's prospectus. Investing in sectors may be more volatile than diversifying across many industries. The investment return and principal value of ETF investments will fluctuate, so an investor's ETF shares (Creation Units), if or when sold, may be worth more or less than the original cost. ETFs are redeemable only in Creation Unit size through an Authorized Participant and are not individually redeemable from an ETF.

Investors should carefully consider the investment objectives and risks as well as charges and expenses of an exchange-traded fund or mutual fund before investing. The prospectus contains this and other important information about the mutual fund. To obtain a prospectus, contact your Financial Advisor or visit the mutual fund company's website. Please read the prospectus carefully before investing.

An investment in **a money market fund (MMF)** is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the Fund seeks to preserve the value of your investment at $1.00 per share, it is possible to lose money by investing in the fund. The price of other MMFs will fluctuate and when you sell shares they may be worth more or less than originally paid. MMFs may impose a fee upon sale or temporarily suspend sales if liquidity falls below required minimums. During suspensions, shares would not be available for purchases, withdrawals, check writing or ATM debits.

Master Limited Partnerships (MLPs) are limited partnerships or limited liability companies that are taxed as partnerships and whose interests (limited partnership units or limited liability company units) are traded on securities exchanges like shares of common stock. Currently, most MLPs operate in the energy, natural resources or real estate sectors. Investments in MLP interests are subject to the risks generally applicable to companies in the energy and natural resources sectors, including commodity pricing risk, supply and demand risk, depletion risk and exploration risk. MLPs carry interest rate risk and may underperform in a rising interest rate environment.

International investing entails greater risk, as well as greater potential rewards compared to U.S. investing. These risks include political and economic uncertainties of foreign countries as well as the risk of currency fluctuations. These risks are magnified in countries with **emerging markets** and **frontier markets**, since these countries may have relatively unstable governments and less established markets and economies.

Investing in currency involves additional special risks such as credit, interest rate fluctuations, derivative investment risk, and domestic and foreign inflation rates, which can be volatile and may be less liquid than other securities and more sensitive to the effect of varied economic conditions. In addition, international investing entails greater risk, as well as greater potential rewards compared to U.S. investing. These risks include political and economic uncertainties of foreign countries as well as the risk of currency fluctuations. These risks are magnified in countries with emerging markets, since these countries may have relatively unstable governments and less established markets and economies.

Bonds are subject to interest rate risk. When interest rates rise, bond prices fall; generally the longer a bond's maturity, the more sensitive it is to this risk. Bonds may also be subject to call risk, which is the risk that the issuer will redeem the debt at its option, fully or partially, before the scheduled maturity date. The market value of debt instruments may fluctuate, and proceeds from sales prior to maturity may be more or less than the amount originally invested or the maturity value due to changes in market conditions or changes in the credit quality of the issuer. Bonds are subject to the credit risk of the issuer. This is the risk that the issuer might be unable to make interest and/or principal payments on a timely basis. Bonds are also subject to reinvestment risk, which is the risk that principal and/or interest payments from a given investment may be reinvested at a lower interest rate.

Bonds rated below investment grade may have speculative characteristics and present significant risks beyond those of other securities, including greater credit risk and price volatility in the secondary market. Investors should be careful to consider these risks alongside their individual circumstances, objectives and risk tolerance before investing in high-yield bonds. High yield bonds should comprise only a limited portion of a balanced portfolio.

Interest on municipal bonds is generally exempt from federal income tax; however, some bonds may be subject to the alternative minimum tax (AMT). Typically, state tax-exemption applies if securities are issued within one's state of residence and, if applicable, local tax-exemption applies if securities are issued within one's city of residence.

Treasury Inflation Protection Securities' (TIPS) coupon payments and underlying principal are automatically increased to compensate for inflation by tracking the consumer price index (CPI). While the real rate of return is guaranteed, TIPS tend to offer a low return. Because the return of TIPS is linked to inflation, TIPS may significantly underperform versus conventional U.S. Treasuries in times of low inflation.

Ultrashort-term fixed income asset class is comprised of fixed income securities with high quality, very short maturities. They are therefore subject to the risks associated with debt securities such as credit and interest rate risk.

Although they are backed by the full faith and credit of the U.S. Government as to timely payment of principal and interest, **Treasury Bills** are subject to interest rate and inflation risk, as well as the opportunity risk of other more potentially lucrative investment opportunities.

Principal is returned on a monthly basis over the life of a **mortgage-backed security**. Principal prepayment can significantly affect the monthly income stream and the maturity of any type of MBS, including standard MBS, CMOs and Lottery Bonds. Yields and average lives are estimated based on prepayment assumptions and are subject to change based on actual prepayment of the mortgages in the underlying pools. The level of predictability of an MBS/CMO's average life, and its market price, depends on the type of MBS/CMO class purchased and interest rate movements. In general, as interest rates fall, prepayment speeds are likely to increase, thus shortening the MBS/CMO's average life and likely causing its market price to rise. Conversely, as interest rates rise, prepayment speeds are likely to decrease, thus lengthening average life and likely causing the MBS/CMO's market price to fall. Some MBS/CMOs may have "original issue discount" (OID). OID occurs if the MBS/CMO's original issue price is below its stated redemption price at maturity, and results in "imputed interest" that must be reported annually for tax purposes, resulting in a tax liability even though interest was not received. Investors are urged to consult their tax advisors for more information.

Yields are subject to change with economic conditions. Yield is only one factor that should be considered when making an investment decision.

Credit ratings are subject to change.

Duration, the most commonly used measure of bond risk, quantifies the effect of changes in interest rates on the price of a bond or bond portfolio. The longer the duration, the more sensitive the bond or portfolio would be to changes in interest rates. Generally, if interest rates rise, bond prices fall and vice versa. Longer-term bonds carry a longer or higher duration than shorter-term bonds; as such, they would be affected by changing interest rates for a greater period of time if interest rates were to increase. Consequently, the price of a long-term bond would drop significantly as compared to the price of a short-term bond.

The majority of $25 and $1000 par **preferred securities** are "callable" meaning that the issuer may retire the securities at specific prices and dates prior to maturity. Interest/dividend payments on certain preferred issues may be deferred by the issuer for periods of up to 5 to 10 years, depending on the particular issue. The investor would still have income tax liability even though payments would not have been received. Price quoted is per $25 or $1,000 share, unless otherwise specified. Current yield is calculated by multiplying the coupon by par value divided by the market price.

Some $25 or $1000 par **preferred securities** are **QDI (Qualified Dividend Income)** eligible. Information on QDI eligibility is obtained from third party sources. The dividend income on QDI eligible preferreds qualifies for a reduced tax rate. Many traditional 'dividend paying' perpetual preferred securities (traditional preferreds with no maturity date) are QDI eligible. In order to qualify for the preferential tax treatment all qualifying preferred securities must be held by investors for a minimum period – 91 days during a 180 day window period, beginning 90 days before the ex-dividend date.

The initial interest rate on a **floating-rate security** may be lower than that of a fixed-rate security of the same maturity because investors expect to receive additional income due to future increases in the floating security's underlying reference rate. The reference rate could be an index or an interest rate. However, there can be no assurance that the reference rate will increase. Some floating-rate securities may be subject to call risk.

The market value of **convertible bonds** and the underlying common stock(s) will fluctuate and after purchase may be worth more or less than original cost. If sold prior to maturity, investors may receive more or less than their original purchase price or maturity value, depending on market conditions. Callable bonds may be redeemed by the issuer prior to maturity. Additional call features may exist that could affect yield.

Investing in commodities entails significant risks. Commodity prices may be affected by a variety of factors at any time, including but not limited to, (i) changes in supply and demand relationships, (ii) governmental programs and policies, (iii) national and international political and economic events, war and terrorist events, (iv) changes in interest and exchange rates, (v) trading activities in commodities and related contracts, (vi) pestilence, technological change and weather, and (vii) the price volatility of a commodity. In addition, the commodities markets are subject to temporary distortions or other disruptions due to various factors, including lack of liquidity, participation of speculators and government intervention.

Physical precious metals are non-regulated products. Precious metals are speculative investments, which may experience short-term and long-term price volatility. The value of precious metals investments may fluctuate and may appreciate or decline, depending on market conditions. If sold in a declining market, the price you receive may be less than your original investment. Unlike bonds and stocks, precious metals do not make interest or dividend payments. Therefore, precious metals may not be appropriate for investors who require current income. Precious metals are commodities that should be safely stored, which may impose additional costs on the investor. The Securities Investor Protection Corporation ("SIPC") provides certain protection for customers' cash and securities in the event of a brokerage firm's bankruptcy, other financial difficulties, or if customers' assets are missing. SIPC insurance does not apply to precious metals or other commodities.

REITs investing risks are similar to those associated with direct investments in real estate: property value fluctuations, lack of liquidity, limited diversification and sensitivity to economic factors such as interest rate changes and market recessions.

CDs are insured by the FDIC, an independent agency of the U.S. Government, up to a maximum of $250,000 (including principal and accrued interest) for all deposits held in the same insurable capacity (e.g. individual account, joint account, IRA etc.) per CD depository. Investors are responsible for monitoring the total amount held with each CD depository. All deposits at a single depository held in the same insurable capacity will be aggregated for the purposes of the applicable FDIC insurance limit, including deposits (such as bank accounts) maintained directly with the depository and CDs of the depository. For more information visit the FDIC website at www.fdic.gov.

Equity securities may fluctuate in response to news on companies, industries, market conditions and general economic environment.

Investing in smaller companies involves greater risks not associated with investing in more established companies, such as business risk, significant stock price fluctuations and illiquidity.

Stocks of medium-sized companies entail special risks, such as limited product lines, markets, and financial resources, and greater market volatility than securities of larger, more-established companies.

Companies paying **dividends** can reduce or cut payouts at any time.

Value investing does not guarantee a profit or eliminate risk. Not all companies whose stocks are considered to be value stocks are able to turn their business around or successfully employ corrective strategies which would result in stock prices that do not rise as initially expected.

Growth investing does not guarantee a profit or eliminate risk. The stocks of these companies can have relatively high valuations. Because of these high valuations, an investment in a growth stock can be more risky than an investment in a company with more modest growth expectations.

Asset allocation and diversification do not assure a profit or protect against loss in declining financial markets.

Because of their narrow focus, **sector investments** tend to be more volatile than investments that diversify across many sectors and companies. **Technology stocks** may be especially volatile. Risks applicable to companies in the **energy and natural resources** sectors include commodity pricing risk, supply and demand risk, depletion risk and exploration risk. **Health care sector stocks** are subject to government regulation, as well as government approval of products and services, which can significantly impact price and availability, and which can also be significantly affected by rapid obsolescence and patent expirations.

Artificial intelligence (AI) is subject to limitations, and you should be aware that any output from an IA-supported tool or service made available by the Firm for your use is subject to such limitations, including but not limited to inaccuracy, incompleteness, or embedded bias. You should always verify the results of any AI-generated output.

Environmental, Social and Governance ("ESG") investments in a portfolio may experience performance that is lower or higher than a portfolio not employing such practices. Portfolios with ESG restrictions and strategies as well as ESG investments may not be able to take advantage of the same opportunities or market trends as portfolios where ESG criteria is not applied. There are inconsistent ESG definitions and criteria within the industry, as well as multiple ESG ratings providers that provide ESG ratings of the same subject companies and/or securities that vary among the providers. Certain issuers of investments may have differing and inconsistent views concerning ESG criteria where the ESG claims made in offering documents or other literature may overstate ESG impact. ESG designations are as of the date of this material, and no assurance is provided that the underlying assets have maintained or will maintain and such designation or any stated ESG compliance. As a result, it is difficult to compare ESG investment products or to evaluate an ESG investment product in comparison to one that does not focus on ESG. Investors should also independently consider whether the ESG investment product meets their own ESG objectives or criteria. There is no assurance that an ESG investing strategy or techniques employed will be successful. Past performance is not a guarantee or a dependable measure of future results.

Rebalancing does not protect against a loss in declining financial markets. There may be a potential tax implication with a rebalancing strategy. Investors should consult with their tax advisor before implementing such a strategy.

Virtual Currency Products (Cryptocurrencies)

Buying, selling, and transacting in Bitcoin, Ethereum or other digital assets ("Digital Assets"), and related funds and products, is highly speculative and may result in a loss of the entire investment. Risks and considerations include but are not limited to:

- Digital Assets have only been in existence for a short period of time and historical trading prices for Digital Assets have been highly volatile. The price of Digital Assets could decline rapidly, and investors could lose their entire investment.
- Certain Digital Asset funds and products, allow investors to invest on a more frequent basis than investors may withdraw from the fund or product, and interests in such funds or products are generally not freely transferrable. This means that, particularly given the volatility of Digital Assets, an investor will have to bear any losses with respect to its investment for an extended period of time and will not be able to react to changes in the price of the Digital Asset once invested (for example, by seeking to withdraw) as quickly as when making the decision to invest. Such Digital Asset funds and products, are intended only for persons who are able to bear the economic risk of investment and who do not need liquidity with respect to their investments.
- Given the volatility in the price of Digital Assets, the net asset value of a fund or product that invests in such assets at the time an investor's subscription for interests in the fund or product is accepted may be significantly below or above the net asset value of the product or fund at the time the investor submitted subscription materials.
- Certain Digital Assets are not intended to function as currencies but are intended to have other use cases. These other Digital Assets may be subject to some or all of the risks and considerations set forth herein, as well as additional risks applicable to such Digital Assets. Buyers, sellers and users of such Digital Assets should thoroughly familiarize themselves with such risks and considerations before transacting in such Digital Assets.
- The value of Digital Assets may be negatively impacted by future legal and regulatory developments, including but not limited to increased regulation of such Digital Assets. Any such developments may make such Digital Assets less valuable, impose additional burdens and expenses on a fund or product investing in such assets or impact the ability of such a fund or product to continue to operate, which may materially decrease the value of an investment therein.
- Due to the new and evolving nature of digital currencies and the absence of comprehensive guidance, many significant aspects of the tax treatment of Digital Assets are uncertain. Prospective investors should consult their own tax advisors concerning the tax consequences to them of the purchase, ownership and disposition of Digital Assets, directly or indirectly through a fund or product, under U.S. federal income tax law, as well as the tax law of any relevant state, local or other jurisdiction.
- Over the past several years, certain Digital Asset exchanges have experienced failures or interruptions in service due to fraud, security breaches, operational problems or business failure. Such events in the future could impact any fund's or product's ability to transact in Digital Assets if the fund or product relies on an impacted exchange and may also materially decrease the price of Digital Assets, thereby impacting the value of your investment, regardless of whether the fund or product relies on such an impacted exchange.
- Although any Digital Asset product and its service providers have in place significant safeguards against loss, theft, destruction and inaccessibility, there is nonetheless a risk that some or all of a product's Digital Asset could be permanently lost, stolen, destroyed or inaccessible by virtue of, among other things, the loss or theft of the "private keys" necessary to access a product's Digital Asset.
- Investors in funds or products investing or transacting in Digital Assets may not benefit to the same extent (or at all) from "airdrops" with respect to, or "forks" in, a Digital Asset's blockchain, compared to investors who hold Digital Assets directly instead of through a fund or product. Additionally, a "fork" in the Digital Asset blockchain could materially decrease the price of such Digital Asset.

- Digital Assets are not legal tender, and are not backed by any government, corporation or other identified body, other than with respect to certain digital currencies that certain governments are or may be developing now or in the future. No law requires companies or individuals to accept digital currency as a form of payment (except, potentially, with respect to digital currencies developed by certain governments where such acceptance may be mandated). Instead, other than as described in the preceding sentences, Digital Asset products' use is limited to businesses and individuals that are willing to accept them. If no one were to accept digital currencies, virtual currency products would very likely become worthless.
- Platforms that buy and sell Digital Assets can be hacked, and some have failed. In addition, like the platforms themselves, digital wallets can be hacked, and are subject to theft and fraud. As a result, like other investors have, you can lose some or all of your holdings of Digital Assets.
- Unlike US banks and credit unions that provide certain guarantees of safety to depositors, there are no such safeguards provided to Digital Assets held in digital wallets by their providers or by regulators.
- Due to the anonymity Digital Assets offer, they have known use in illegal activity, including drug dealing, money laundering, human trafficking, sanction evasion and other forms of illegal commerce. Abuses could impact legitimate consumers and speculators; for instance, law enforcement agencies could shut down or restrict the use of platforms and exchanges, limiting or shutting off entirely the ability to use or trade Digital Asset products.
- Digital Assets may not have an established track record of credibility and trust. Further, any performance data relating to Digital Asset products may not be verifiable as pricing models are not uniform.
- Investors should be aware of the potentially increased risks of transacting in Digital Assets relating to the risks and considerations, including fraud, theft, and lack of legitimacy, and other aspects and qualities of Digital Assets, before transacting in such assets.
- The exchange rate of virtual currency products versus the USD historically has been very volatile and the exchange rate could drastically decline. For example, the exchange rate of certain Digital Assets versus the USD has in the past dropped more than 50% in a single day. Other Digital Assets may be affected by such volatility as well.
- Digital Asset exchanges have limited operating and performance histories and are not regulated with the same controls or customer protections available to more traditional exchanges transacting equity, debt, and other assets and securities. There is no assurance that a person/exchange who currently accepts a Digital Asset as payment will continue to do so in the future.
- The regulatory framework of Digital Assets is evolving, and in some cases is uncertain, and Digital Assets themselves may not be governed and protected by applicable securities regulators and securities laws, including, but not limited to, Securities Investor Protection Corporation coverage, or other regulatory regimes.
- Morgan Stanley Smith Barney LLC or its affiliates (collectively, "Morgan Stanley") may currently, or in the future, offer or invest in Digital Asset products, services or platforms. The proprietary interests of Morgan Stanley may conflict with your interests.
- The foregoing list of considerations and risks are not and do not purport to be a complete enumeration or explanation of the risks involved in an investment in any product or fund investing or trading in Digital Assets.

The **indices** are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only and do not represent the performance of any specific investment. The indices are not subject to expenses or fees and are often comprised of securities and other investment instruments the liquidity of which is not restricted. A particular investment product may consist of securities significantly different than those in any index referred to herein. Comparing an investment to a particular index may be of limited use.

The **indices selected by Morgan Stanley Wealth Management** to measure performance are representative of broad asset classes. Morgan Stanley Smith Barney LLC retains the right to change representative indices at any time.

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The summary at the beginning of the report may have been generated with the assistance of artificial intelligence (AI).

The securities/instruments discussed in this material may not be appropriate for all investors. The appropriateness of a particular investment or strategy will depend on an investor's individual circumstances and objectives. Morgan Stanley Wealth Management recommends that investors independently evaluate specific investments and strategies, and encourages investors to seek the advice of a financial advisor. The value of and income from investments may vary because of changes in interest rates, foreign exchange rates, default rates, prepayment rates, securities/instruments prices, market indexes, operational or financial conditions of companies and other issuers or other factors. Estimates of future performance are based on assumptions that may not be realized. Actual events may differ from those assumed and changes to any assumptions may have a material impact on any projections or estimates. Other events not taken into account may occur and may significantly affect the projections or estimates. Certain assumptions may have been made for modeling purposes only to simplify the presentation and/or calculation of any projections or estimates, and Morgan Stanley Wealth Management does not represent that any such assumptions will reflect actual future events. Accordingly, there can be no assurance that estimated returns or projections will be realized or that actual returns or performance results will not materially differ from those estimated herein. This material should not be viewed as advice or recommendations with respect to asset allocation or any particular investment. This information is not intended to, and should not, form a primary basis for any investment decisions that you may make. Morgan Stanley Wealth Management is not acting as a fiduciary under either the Employee Retirement Income Security Act of 1974, as amended or under section 4975 of the Internal Revenue Code of 1986 as amended in providing this material except as otherwise provided in writing by Morgan Stanley and/or as described at www.morganstanley.com/disclosures/dol.

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