Morgan Stanley

WEALTH MANAGEMENT

INVESTMENT STRATEGY



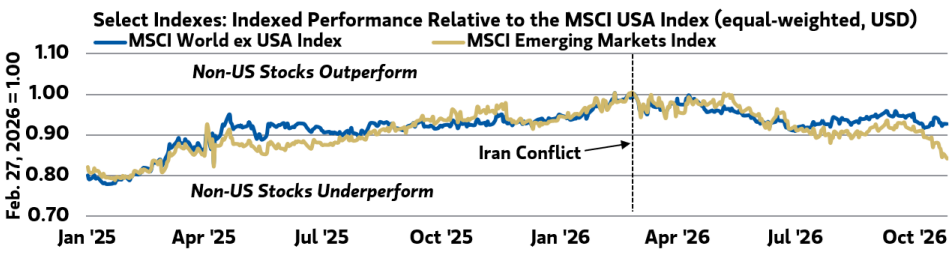
Global Investment Office | October 28, 2026

Global Insights Focus

Global Equity Leadership: Reading the Regime

In this edition, we focus on the drivers behind US equities' leadership in 2026 amid rising global cost pressures. We also assess the potential limits to that leadership should concerns about slowing growth and AI-infrastructure financing become the dominant drivers.

- Non-US equities have lagged since the Iran conflict broke out in late February, as rising energy prices and rates have clouded the outlook for global manufacturing. The equal-weighted MSCI USA Index has outperformed comparable MSCI World ex USA and Emerging Market indexes by eight and 17 percentage points, respectively. Meanwhile, the ICE US Dollar Index (DXY) has risen 4.7%, reversing about 40% of its decline since early 2025 and contributing roughly 2.5 percentage points to non-US equities' underperformance over that time frame.
- Rising costs have penalized volatility while favoring free-cash-flow generation, benefiting US equities, whose median free-cash-flow margin exceeds global peers' by nine percentage points. During months of rising oil prices and rates since 2022, high-free-cash-flow-margin stocks have outperformed by 60 basis points. Yet the capitalization-weighted US free-cash-flow margin has declined about 2.5 percentage points over the past year, challenging its secular appeal.
- The Morgan Stanley Wealth Management Global Investment Committee remains modestly overweight US equities for their earnings and free-cash-flow resilience amid a return to quality investing. Yet the growth scare over the past month, reflected in outsized credit-spread widening among hyperscalers and AI-infrastructure companies, has highlighted the risks associated with US equities' declining defensive-sector weights. The trailing 24-month betas of US technology and communication services sectors relative to global equities have reached two-decade highs, underscoring concentration risks and the value of diversification.



Source: Morgan Stanley Wealth Management Global Investment Office (GIO), FactSet as of Oct. 26, 2026

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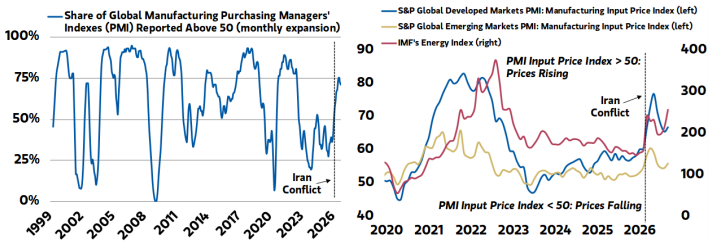
Is Emerging Markets Leadership Durable?

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MACRO

The Iran Conflict Has Tilted the Balance Back Toward US Equities

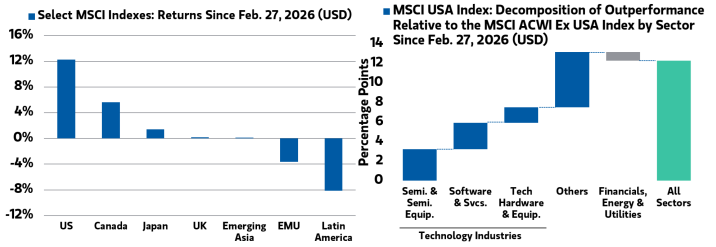
The conflict has heightened concerns around energy- and interest rate-related cost pressures.



Note: We compute the breadth in PMIs across 24 economies and smooth it with a three-month moving average. The IMF's Energy Index is a trade-weighted index of global energy commodity prices, including crude oil, natural gas and coal.
Source: Morgan Stanley Wealth Management GIO, Haver Analytics, IMF as of Sept. 30, 2026

Global manufacturing breadth has improved sharply over the past year, with nearly 75% of 24 economies surveyed reporting month-over-month expansion in September. Yet, higher energy prices following the Iran conflict have pushed manufacturing input costs higher, particularly across developed markets. Global interest rates have also risen, tightening financial conditions and raising doubts about the durability of the manufacturing recovery. Non-US equities, which tend to be more exposed to the global manufacturing cycle, have underperformed since the Iran conflict erupted in late February, reflecting these concerns. The equal-weighted MSCI World ex USA Index has lagged its MSCI USA Index counterpart by roughly eight percentage points, while the equal-weighted MSCI Emerging Markets Index has underperformed by around 17 percentage points, weighed down by Asia's softness and Brazil's post-election market rout. This reversal has raised questions about the diversification benefits of non-US equities.

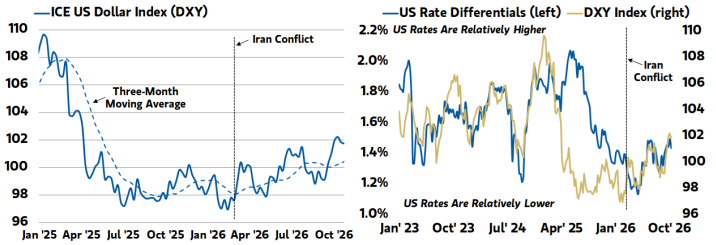
Technology stocks have driven US equity outperformance.



Source: Morgan Stanley Wealth Management GIO, FactSet, Bloomberg as of Oct. 26, 2026

Since the Iran conflict began in late February, the MSCI USA Index has gained roughly 12.5%. Across nearly 50 MSCI country indexes, only Colombia, Taiwan, Poland and Austria have outperformed the US in dollar terms. The MSCI Latin America Index has suffered the sharpest regional underperformance, weighed down by weakness in Brazilian equities following the post-election results of the past weekend. Technology has powered US equity leadership, contributing 7.5 percentage points to the nearly 12 percentage-point performance gap between the MSCI USA and MSCI ACWI ex USA indexes. Since the conflict began, the MSCI USA Information Technology Index has outperformed the MSCI ACWI ex USA by nearly 34 percentage points—the largest margin since 1999, excluding the pandemic-driven surge in 2020. Software and services stocks contributed nearly three percentage points, helped by a sharp valuation rerating, as investors have shifted their attention from AI capital-spending beneficiaries toward AI adopters in recent months.

Renewed dollar strength presents an additional headwind for non-US equities.



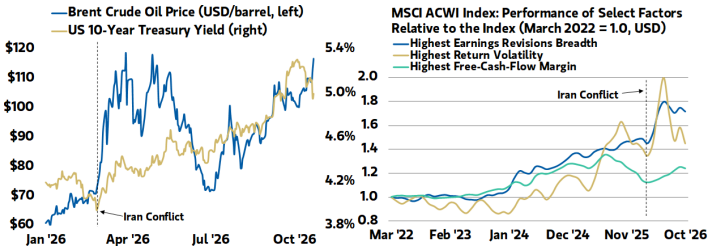
Note: We display a weighted average of US overnight index swap rate differentials with the Eurozone, Japan, the UK, Canada, Sweden and Switzerland, weighted by DXY weights.
Source: Morgan Stanley Wealth Management GIO, Bloomberg as of Oct. 23, 2026

The ICE US Dollar Index (DXY) has appreciated nearly 4.7% since the Iran conflict broke out, retracing roughly 40% of its decline since early 2025 and compounding international equity underperformance for US-based investors. Foreign currency depreciation relative to the US dollar has accounted for around 2.5 percentage points, or approximately 20%, of the MSCI ACWI ex USA Index's underperformance relative to the MSCI USA Index since the Iran conflict broke out. Notably, widening US interest rate differentials against the Eurozone, Japan, UK, Canada, Sweden and Switzerland—the six currency exposures underlying the DXY Index—have accounted for dollar strength. As markets have repriced expectations toward tighter US monetary policy in recent months, alongside receding of US economic policy uncertainty, the historical relationship between rate differentials and dollar performance has reasserted itself. Morgan Stanley & Co. Research expects the DXY Index to appreciate next year by about 1% from current levels, an expected modest drag on non-US equities' US dollar-denominated returns.

QUANTITATIVE AND FUNDAMENTALS

Cost Pressures Have Favored US Earnings and Cash-Flow Resilience

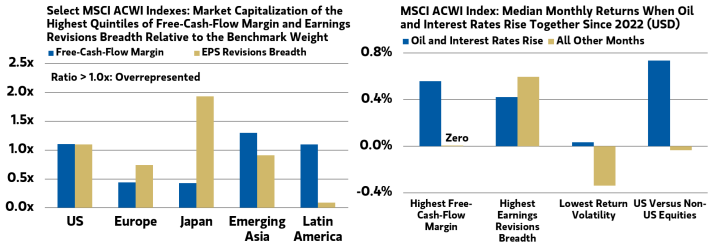
Rising oil prices and rates have favored earnings and free-cash-flow resilience.



Note: We display capitalization-weighted factor returns.
Source: Morgan Stanley Wealth Management GIO, FactSet as of Oct. 23, 2026

Since the Iran conflict erupted in late February, oil prices and global interest rates have risen together, intensifying cost pressures and weighing on expectations for global economic activity. High-volatility stocks, which had outperformed since 2025 as investors braced for an AI-capex trade boom following the rollback of steep US tariffs, have lost momentum as cost pressures resurfaced. By contrast, companies with the strongest earnings revisions breadth—measured by the share of analyst revisions that are upgrades—have remained resilient, while those offering high free-cash-flow margins (free cash flow relative to revenue) have rebounded. These trends suggest investors are increasingly prioritizing earnings visibility and the ability to generate cash amid rising costs and tighter financial conditions. The rotation points to a renewed preference for quality equities over speculative exposures, particularly as persistent energy pressures threaten corporate margins and complicate the outlook for monetary easing in coming months.

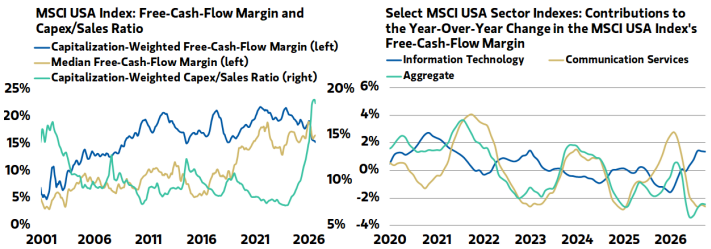
US companies offer stronger free-cash-flow generation and earnings visibility.



Note: We display capitalization-weighted returns by quintile rank.
Source: Morgan Stanley Wealth Management GIO, Bloomberg, FactSet as of Oct. 23, 2026

Rising cost pressures this year have increased the appeal of quality equities, benefiting US companies given their stronger free-cash-flow generation and earnings revisions breadth. Since 2022, when inflation and rising rates began adding to cost pressures, periods of rising rates and oil prices have favored cash-generative companies over high-volatility stocks. Relative to MSCI ACWI Index weights, US equities are overrepresented by roughly 10% within the top quintiles of both free-cash-flow margins and earnings revisions breadth, a combination unmatched by other regions. This advantage reflects exposure to AI-capex beneficiaries, alongside cash-generative AI adopters, including hyperscalers and software businesses. Japanese equities stand out for earnings revisions breadth, supported by fiscal stimulus, while emerging Asian and Latin American equities offer exposure to companies with high free-cash-flow margins, likely supporting performance this year. Together, these differences have reinforced the appeal of US stocks, as inflation risks and tighter financial conditions have weighed on equity markets.

In the long run, US companies' free-cash-flow margins face mounting pressure.



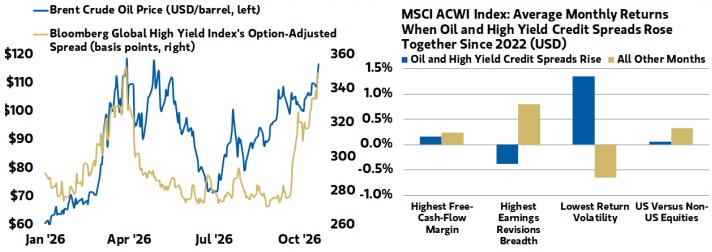
Source: Morgan Stanley Wealth Management GIO, FactSet as of Sept. 30, 2026

While US companies currently retain a strong free-cash-flow advantage over international peers, megacaps' rising capital intensity undermines that advantage over the long term at the index level. The MSCI USA Index's capitalization-weighted free-cash-flow margin, excluding financials, has fallen from roughly 21% in early 2024 to 15% currently, its lowest since 2018. For the first time since at least 2001, this measure trails that for the index's median constituent. Yet, that median remains nearly nine percentage points above the equivalent MSCI ACWI ex USA Index's counterpart, a top-decile historical premium. The divergence is consistent with surging investment from megacap hyperscalers rather than broad-based deterioration in US free-cash-flow generation. Since early 2024, the index's capitalization-weighted capex-to-sales ratio has more than doubled to approximately 15%, its highest in over 25 years, driven by data-center expansion. Over the past year, the index's free-cash-flow margin has declined roughly 2.5 percentage points, largely reflecting large capex in the communication services sector, home to Alphabet and Meta.

MACRO, QUANTITATIVE AND FUNDAMENTALS

From Cost Pressures to Growth Fears: Concentration Risks

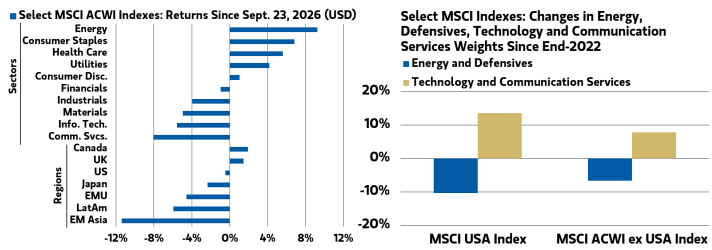
In a growth scare, US equity leadership may stall.



Note: On the right-hand chart we use the MSCI USA and MSCI ACWI ex USA (USD), with capitalization-weighted returns by quintile rank.
Source: Morgan Stanley Wealth Management GIO, Bloomberg, FactSet as of Oct. 23, 2026

While cost pressures have favored US equities' earnings visibility and free-cash-flow generation, a persistent growth scare could dampen some of that advantage. Since early October, 10-year US Treasury yields have fallen by 31 basis points, while the Bloomberg Global High Yield Index's option-adjusted spread has widened approximately 72 basis points since mid-September, a top-decile move since 2000. This divergence suggests investor concerns are potentially shifting from cost pressures toward growth concerns. Since 2022, rising oil prices alongside widening global credit spreads have coincided with below-average returns for US equities relative to global peers, high free-cash-flow-margin stocks and those with strong earnings revisions breadth. Rather, low-volatility equities have outperformed, as defensiveness dominated. US equities' stalling leadership in such regimes may reflect increasingly lower exposure to defensive sectors like consumer staples and utilities—and energy when the concerns involve rising oil prices—crowded out by AI-linked sectors.

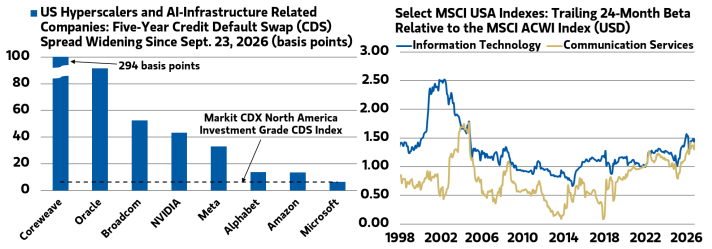
US equities have lost some defensiveness in the AI era.



Note: "Defensives" comprise consumer staples, health care and utilities.
Source: Morgan Stanley Wealth Management GIO, FactSet as of Oct. 23, 2026

Since Sept. 23, when global high-yield credit spreads began widening, equity leadership has shifted toward defensive sectors like consumer staples, health care and utilities, alongside energy. Technology and communication services have lagged. Regionally, Canadian equities' significant exposure to energy and the UK's heavy weighting in defensive sectors, have supported their outperformance, while US equities have declined modestly. This rotation exposes a nascent vulnerability in US equity leadership: Since 2023, covering the AI era, the MSCI USA Index's combined weight in traditional defensive sectors and energy has fallen more than 10 percentage points, while technology and communication services have gained nearly 14 points. Changes in the MSCI ACWI ex USA Index have been less pronounced, leaving some non-US equities with comparatively greater exposure to sectors that have recently offered defensiveness. A prolonged growth scare, particularly amid elevated oil prices, could therefore challenge US outperformance despite its earnings strength.

AI-related sectors face heightened risks.

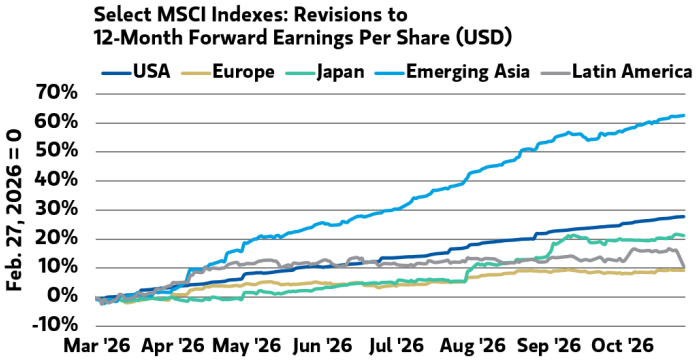


Source: Morgan Stanley Wealth Management GIO, Bloomberg, FactSet as of Oct. 23, 2026

Recent widening in credit default swap (CDS) spreads among US hyperscalers and AI-infrastructure companies —the cost of credit protection against default—suggests growing investor concern about AI-capex-cycle financing amid rising borrowing costs. Most have experienced greater CDS-spread widening than the Markit CDX North America Investment Grade Index, which tracks credit protection costs for 125 investment-grade corporate issuers. The sharpest widening has occurred among issuers with heavier financing needs, more constrained balance sheets and less capacity to fund investment internally. These credit market signals coincide with rising equity market sensitivity: The trailing 24-month betas of US information technology and communication services stocks relative to the MSCI ACWI Index have climbed toward levels last observed two decades ago. Together, these trends underscore the limits to US equity leadership amid a reassessment of AI-infrastructure spending, particularly if tighter financing conditions and slowing demand undermine expectations for return on investment. They also highlight concentration risks in a technology-heavy US market and the benefits of diversification.

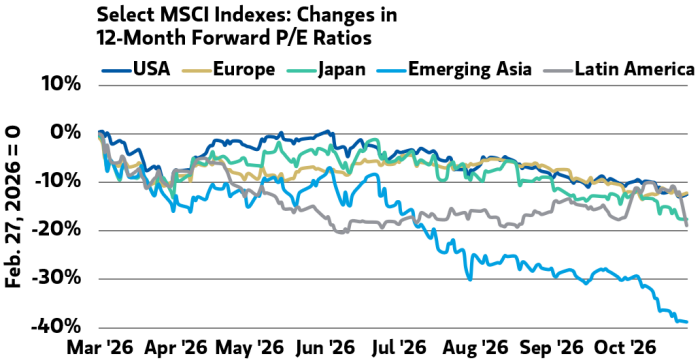
CHARTS YOU CAN'T MISS

Global Equities: Earnings outlooks have held up this year despite macro concerns …



Source: Morgan Stanley Wealth Management GIO, FactSet as of Oct. 26, 2026

… as renewed inflationary pressures and higher rates have weighed on valuation multiples.



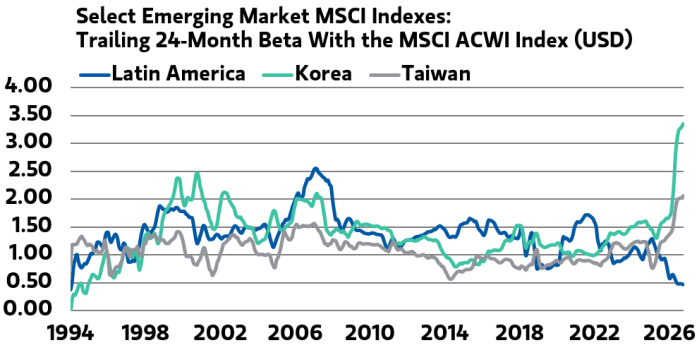
Source: Morgan Stanley Wealth Management GIO, FactSet as of Oct. 26, 2026

Semiconductor Trade: Latin American equities offer a hedge against the semiconductor trade …



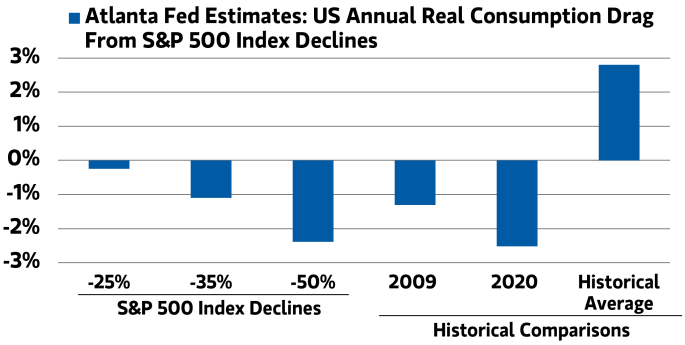
Note: We display the correlations based on returns relative to the MSCI ACWI Index.
Source: Morgan Stanley Wealth Management GIO, FactSet as of Oct 26, 2026

… alongside a historically low beta, in contrast to Korean and Taiwanese equities.



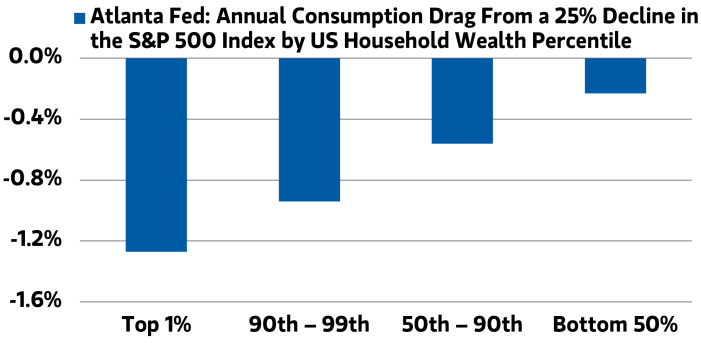
Source: Morgan Stanley Wealth Management GIO, FactSet as of Oct. 26, 2026

US Wealth Effects: An equity market correction could negatively impact consumption …



Note: The estimates assume 2.5% annual inflation and 2.75% baseline real consumption growth.
Source: Morgan Stanley Wealth Management GIO, Mitra, Indrajit, and David Rapach (2026). Downside Risk to the Stock Market and Consumption. Federal Reserve Bank of Atlanta, Policy Hub No. 2026-6, September

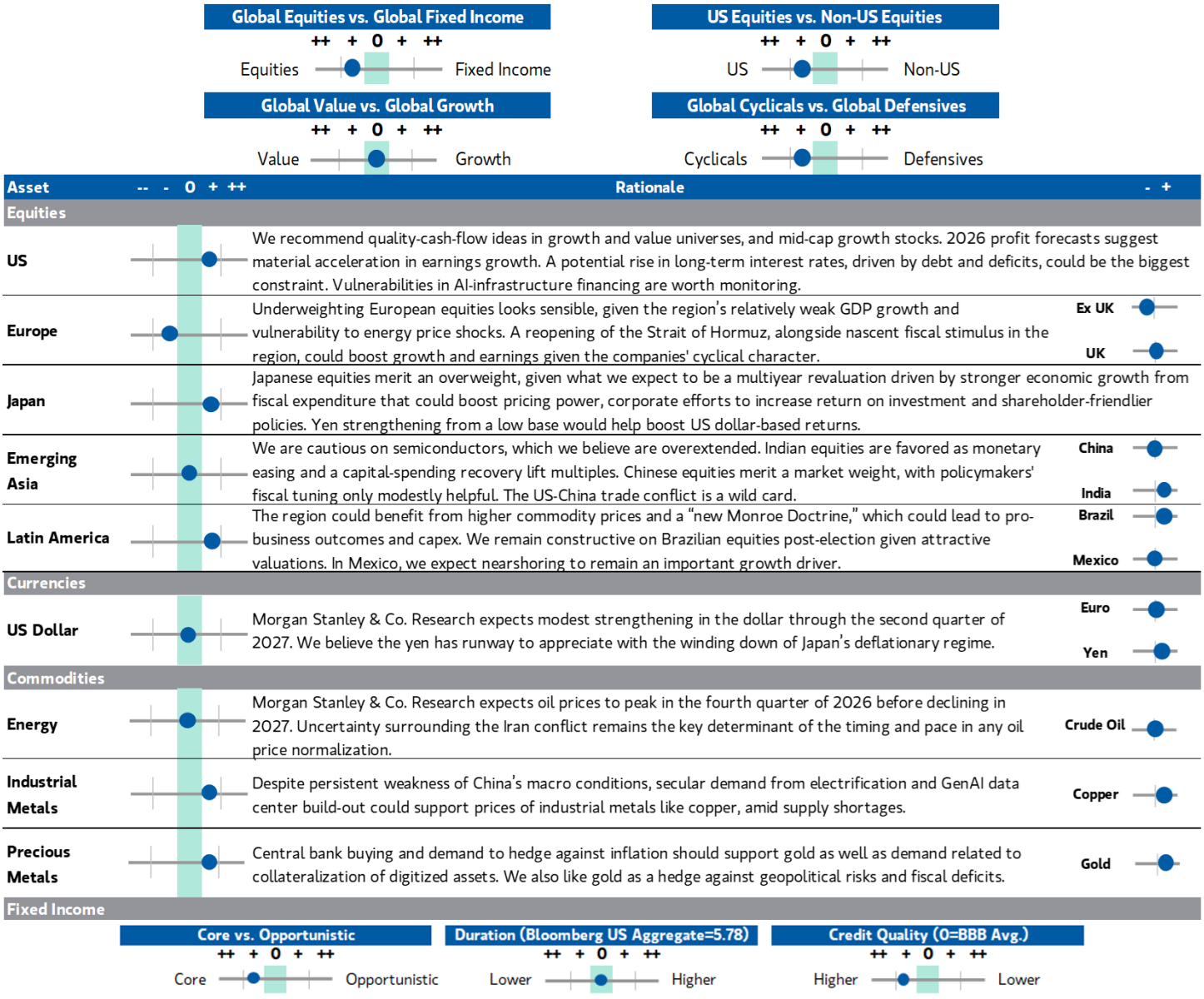
… with the largest drag likely coming from the wealthiest households.



Note: The estimates assume 2.5% annual inflation and 2.75% baseline real consumption growth.
Source: Morgan Stanley Wealth Management GIO, Mitra, Indrajit, and David Rapach (2026). Downside Risk to the Stock Market and Consumption. Federal Reserve Bank of Atlanta, Policy Hub No. 2026-6, September

GLOBAL PORTFOLIO STRATEGY

- US equities hold an edge over global peers, given stronger earnings growth and higher free-cash-flow margins. Japanese and Latin American equities represent attractive sources of diversification.
- Rising term premiums are helping to keep long-term government interest rates higher for longer and steepening yield curves. Inflation risks remain elevated, with oil and AI-related demand as drivers.
- Gold remains an attractive hedge against fiscal largesse, geopolitics and US dollar debasement. Industrial metals like copper stand to benefit from electrification and AI infrastructure despite China's macro weakness.
- The US dollar will likely see modest gains through the second half of 2027. The Japanese yen has runway to appreciate, given that Japan's deflationary period is likely ending.



See our Fixed Income Insights weekly publication for our most recent perspectives.

Note: 12-month investment horizon. ++ most attractive, + moderately attractive, 0 neutral, - moderately unattractive, -- most unattractive.
Source: Morgan Stanley Wealth Management GIO as of Oct. 23, 2026

MACRO

GLOBAL ECONOMIC GROWTH

MANUFACTURING PURCHASING MANAGER INDICES (PMI)

		Oct'25	Nov'25	Dec'25	Jan'26	Feb'26	Mar'26	Apr'26	May'26	Jun'26	Jul'26	Aug'26	Sep'26
DEVELOPED MARKETS	US	52.5	52.2	51.8	52.4	51.6	52.3	54.5	55.1	53.9	53.9	53.9	55.9
	Japan	48.2	48.7	50.0	51.5	53.0	51.6	55.1	54.5	54.8	54.5	54.9	54.1
	Canada	49.6	48.4	48.6	50.4	51.0	50.0	53.3	52.9	53.0	53.5	53.0	51.5
	UK	49.7	50.2	50.6	51.8	51.7	51.0	53.7	53.9	52.5	51.9	51.7	51.9
	France	48.8	47.8	50.7	51.2	50.1	50.0	52.8	49.7	51.2	49.8	51.1	50.6
	Germany	49.6	48.2	47.0	49.1	50.9	52.2	51.4	50.1	50.3	52.2	54.3	53.9
EMERGING MARKETS	China	50.6	49.9	50.1	50.3	52.1	50.8	52.2	51.8	51.7	50.9	51.5	52.1
	India	59.2	56.6	55.0	55.4	56.9	53.9	54.7	55.0	54.2	53.5	52.8	55.1
	Taiwan	47.7	48.8	50.9	51.7	55.2	53.3	55.3	56.1	55.2	55.1	54.7	56.7
	Korea	49.4	49.4	50.1	51.2	51.1	52.6	53.6	54.8	52.1	53.1	52.3	53.9
	Brazil	48.2	48.8	47.6	47.0	47.3	49.0	52.6	49.1	50.8	47.5	46.3	44.8
	Mexico	49.5	47.3	46.1	46.3	47.1	48.9	47.7	49.6	51.3	51.3	49.8	50.3

REAL GDP GROWTH (%)

	COUNTRY	QoQ	YoY
DEVELOPED MARKETS	US	2.2	2.2
	Japan	0.4	0.9
	Canada	3.3	1.4
	UK	0.5	1.4
	France	0.0	0.5
	Germany	0.3	1.0
EMERGING MARKETS	China	1.2	5.0
	India	1.8	7.8
	Taiwan	2.5	12.9
	Korea	1.0	3.4
	Brazil	0.5	2.0
	Mexico	1.4	2.1

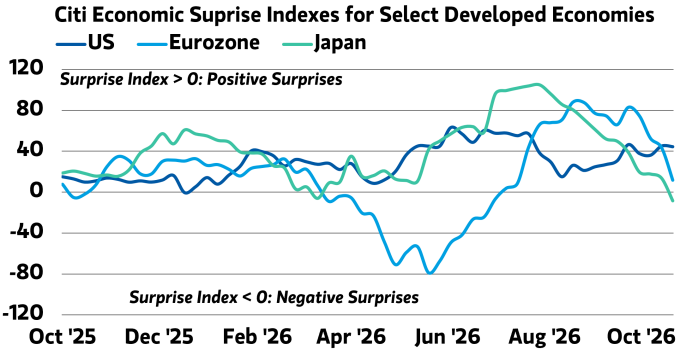
Note: PMI readings above 50 indicate expansion; while readings below 50 suggest contraction.
Source: Morgan Stanley Wealth Management GIO, Bloomberg as of Oct. 23, 2026

INFLATION, INTEREST RATES, UNEMPLOYMENT AND FX

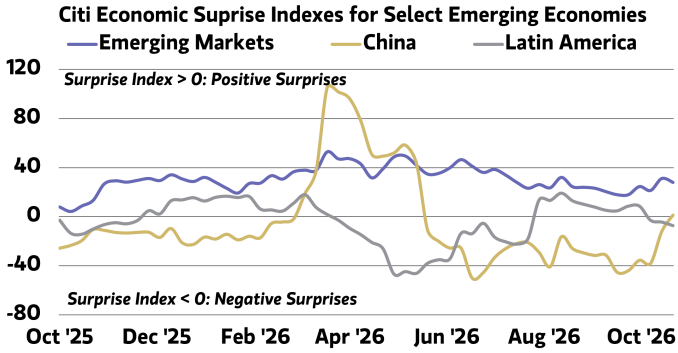
		YOY INFLATION (%)		10-YR GOVT. BOND YIELD (%)		UNEMPLOYMENT RATE (%)		USD EXCHANGE RATE			CENTRAL BANK
	COUNTRY	CURRENT	YEAR AGO	CURRENT	YEAR AGO	CURRENT	YEAR AGO	CURRENT		YOY (%)	POLICY PHASE
DEVELOPED MARKETS	US	3.7	3.0	5.0	4.0	4.2	4.4				Tightening
	Japan	2.7	2.5	2.8	1.7	2.5	2.6	JPY	157.74	3.1	Tightening
	Canada	3.1	2.4	3.8	3.1	6.5	7.1	CAD	1.40	0.2	Tightening
	UK	3.5	3.8	5.3	4.4	4.7	4.8	GBP	0.75	-0.1	Tightening
	France	3.1	1.2	4.9	3.4	7.9	7.2	EUR	0.90	-4.3	Tightening
	Germany	3.3	2.4	3.3	2.6	6.4	6.3				Tightening
EMERGING MARKETS	China	0.9	-0.3	1.6	1.8	4.0	4.2	CNY	6.67	-6.6	Holding
	India	5.5	1.4	7.5	6.5	7.7	7.1	INR	95.18	7.3	Tightening
	Taiwan	2.7	1.3	2.0	1.3	3.3	3.4	TWD	32.47	5.4	Tightening
	Korea	2.9	2.1	4.1	2.9	2.6	2.7	KRW	1325	-8.1	Tightening
	Brazil	4.6	5.2	15.1	13.7	5.3	5.6	BRL	5.42	0.8	Easing
	Mexico	3.5	3.8	9.4	8.8	2.9	3.0	MXN	18.58	1.0	Holding

Note: Central bank policy phase is based on the market's forward six-month implied change in policy rate.
Source: Morgan Stanley Wealth Management GIO, Bloomberg as of Oct. 23, 2026

ECONOMIC SURPRISE INDEXES



Source: Morgan Stanley Wealth Management GIO, Bloomberg as of Oct. 23, 2026



Source: Morgan Stanley Wealth Management GIO, Bloomberg as of Oct. 23, 2026

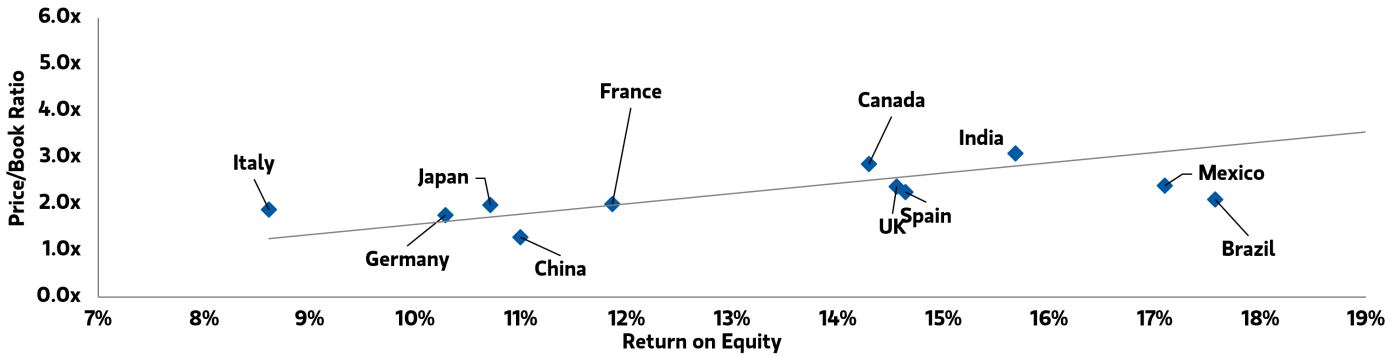
GLOBAL EQUITY MARKET FUNDAMENTALS

GLOBAL EQUITY MARKET VALUATIONS AND EARNINGS

		12-MONTH FORWARD P/E	12-MONTH FORWARD P/E RELATIVE TO:		TRAILING 3-YEAR	12-MONTH FORWARD EPS	
	MSCI INDEX	CURRENT (x)	HISTORY (x)	MSCI ACWI (x)	EPS GROWTH (%)	EST. GROWTH (%)	REVISIONS (%)
DEVELOPED MARKETS	USA	18.7	1.1	1.2	14.3	18.5	1.2
	Japan	15.2	1.0	1.0	12.9	16.0	2.9
	Canada	16.0	1.1	1.0	9.6	4.5	1.2
	UK	12.3	1.0	0.8	0.2	2.5	3.8
	Europe ex UK	15.0	1.1	1.0	2.5	15.3	-0.4
EMERGING MARKETS	China	9.3	0.8	0.6	6.9	2.1	2.9
	India	18.4	1.1	1.2	15.6	3.9	0.2
	Taiwan	16.7	1.1	1.1	25.5	27.9	2.7
	Korea	3.7	0.4	0.2	74.7	33.7	4.0
	Latin America	10.5	0.9	0.7	-4.2	3.1	-0.8

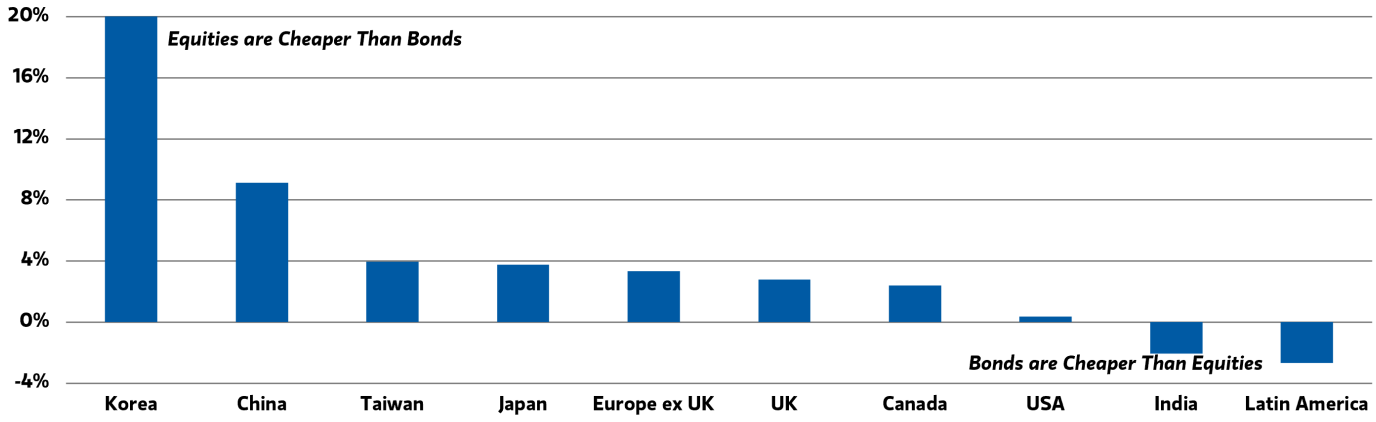
Note: History is based on MSCI data since 2006. Revisions are changes in consensus estimates over the prior month.
Source: Morgan Stanley Wealth Management GIO, Bloomberg as of Oct. 23, 2026

GLOBAL PRICE-TO-BOOK RATIOS AND ROE



Note: Based on MSCI indexes.
Source: Morgan Stanley Wealth Management GIO, Bloomberg as of Oct. 23, 2026

GLOBAL EQUITY RISK PREMIUMS

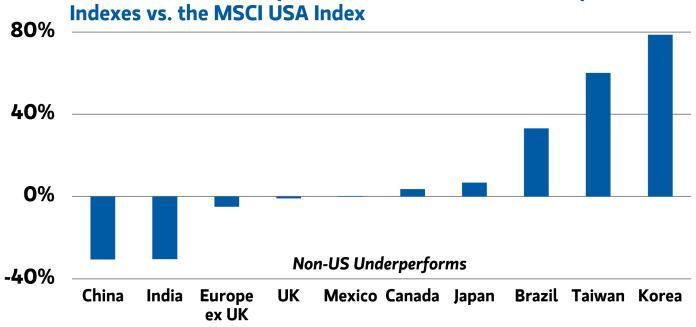


Note: Equity risk premium is the forward 12-month earnings yield less the 10-year govt. bond yield.
Source: Morgan Stanley Wealth Management GIO, Bloomberg as of Oct. 23, 2026

ASSET CLASS PERFORMANCE

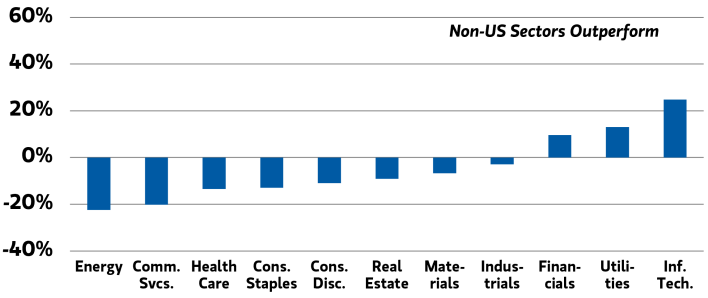
EQUITIES

Last 12-Month Country Relative Returns: MSCI Country Indexes vs. the MSCI USA Index



Note: Total returns on a US dollar basis based on MSCI indexes.
Source: Morgan Stanley Wealth Management GIO, Bloomberg as of Oct. 23, 2026

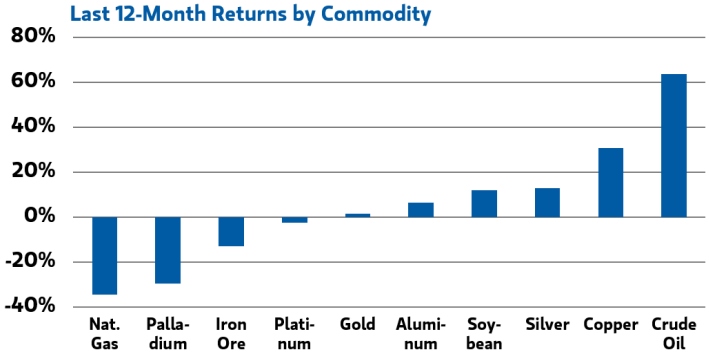
Last 12-Month Sector Relative Returns: MSCI ACWI ex USA Index vs. MSCI USA Index



Note: Total returns on a US dollar basis.
Source: Morgan Stanley Wealth Management GIO, Bloomberg as of Oct. 23, 2026

COMMODITIES

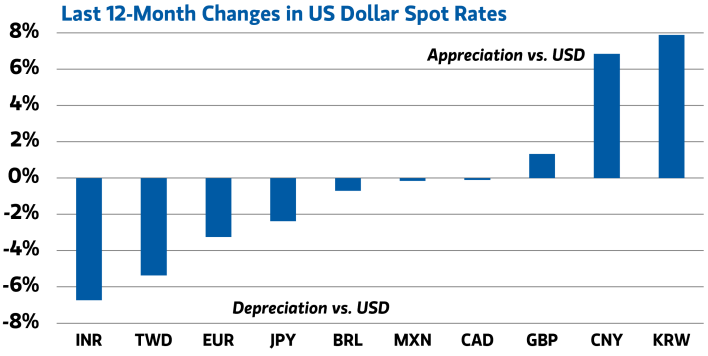
Last 12-Month Returns by Commodity



Note: US dollar returns.
Source: Morgan Stanley Wealth Management GIO, Bloomberg as of Oct. 23, 2026

CURRENCIES

Last 12-Month Changes in US Dollar Spot Rates



Note: BRL=Brazilian Real, MXN=Mexican Peso, KRW=Korean Won, INR=Indian Rupee, CAD=Canadian Dollar, JPY=Japanese Yen, TWD=Taiwanese Dollar, EUR=Euro, CNY=Chinese Yuan, GBP=British Pound.
Source: Morgan Stanley Wealth Management GIO, Bloomberg as of Oct. 23, 2026

GLOBAL GOVERNMENT BONDS

		12-MONTH TOTAL	YIELDS		SPREADS TO US YIELDS (BP)	
	COUNTRY	RETURNS (%)	CURRENT (%)	12-MONTH CHANGE (BP)	CURRENT	12-MONTH CHANGE
DEVELOPED MARKETS	US	-2.6	5.0	100		
	Japan	-8.2	2.8	114	-217	13
	Canada	-1.7	3.8	75	-115	-25
	UK	-0.8	5.3	91	36	-9
	France	-10.1	4.9	151	-5	51
	Germany	-6.3	3.3	73	-163	-27
EMERGING MARKETS	China	-3.6	1.6	-19	-336	-119
	India	1.3	7.5	94	250	-6
	Taiwan	0.0	2.0	74	-296	-26
	Korea	4.1	4.1	116	-91	16
	Brazil	7.2	15.1	142	1014	42
	Mexico	5.6	9.4	56	439	-44

Note: Total US dollar returns are for 7-10 year duration govt.; local currency returns used for Brazil and India.
Source: Morgan Stanley Wealth Management GIO, Bloomberg as of Oct. 23, 2026

Disclosure Section

Index Definitions

ICE US Dollar Index (DXY) - An index measuring the value of the US dollar against a basket of six major foreign currencies: The euro, Japanese yen, British pound, Canadian dollar, Swedish krona and Swiss franc.

IMF Energy Index - An index tracking international energy commodity prices, including crude oil, natural gas and coal.

MSCI Communication Services Index - An index measuring the performance of companies in the communication services sector, including telecommunications, media and entertainment.

MSCI Emerging Markets Equal Weighted Index - An equal-weighted version of the MSCI Emerging Markets Index that assigns the same weight to each constituent stock.

MSCI Emerging Markets Index - A market-capitalization-weighted index measuring the performance of large- and mid-cap equities across emerging markets.

MSCI USA Equal Weighted Index - An equal-weighted index measuring the performance of large- and mid-cap US equities.

MSCI World Ex USA Equal Weighted Index - An equal-weighted index measuring the performance of large- and mid-cap equities across developed markets, excluding the United States.

For other 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

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.

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.

Option-adjusted spread (OAS) is a measurement of the spread of a fixed income security rate and the risk-free rate of return, which is adjusted to take into account an embedded option.

Price to book value (P/B) ratio is used to compare a stock's market value to its book value.

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

Return on Equity (ROE) amount of net income returned as a percentage of shareholders' equity. Return on equity measures a corporation's profitability by revealing how much profit a company generates with the money shareholders have invested.

Term premium is the excess yield that investors require to commit to holding a long-term bond instead of a series of shorter-term bonds.

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.

Risk Considerations

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

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.

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.

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. The risks of traditional alternative investments may include: can be highly illiquid, speculative and not appropriate for all investors, loss of all or a substantial portion of the investment due to leveraging, short-selling, or other speculative practices, 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 open-end mutual funds, and risks associated with the operations, personnel and processes of the manager. Non-traditional alternative strategy products may employ various investment strategies and techniques for both hedging and more speculative purposes such as short-selling, leverage, derivatives and options, which can increase volatility and the risk of investment loss. These investments are subject to the risks normally associated with debt instruments and also carry substantial additional risks. Investors could lose all or a substantial amount of their investment. These investments typically have higher fees or expenses than traditional investments.

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

Investing in foreign markets entails greater risks than those normally associated with domestic markets, such as political, currency, economic and market risks. 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 and frontier markets, since these countries may have relatively unstable governments and less established markets and economies. Yields are subject to change with economic conditions. Yield is only one factor that should be considered when making an investment decision.

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.

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.

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.

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.

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.

Artificial intelligence (AI) is subject to limitations, and you should be aware that any output from an AI-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.

Credit ratings are subject to change.

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

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.

Nondiversification: For a portfolio that holds a concentrated or limited number of securities, a decline in the value of these investments would cause the portfolio's overall value to decline to a greater degree than a less concentrated portfolio. Portfolios that invest a large percentage of assets in only one industry sector (or in only a few sectors) are more vulnerable to price fluctuation than those that diversify among a broad range of sectors.

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 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.

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