Morgan Stanley

WEALTH MANAGEMENT

INVESTMENT STRATEGY

Global Investment Committee | March 16, 2026

The GIC Weekly

Peak Private Credit Pain?

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Private credit, its publicly traded BDC proxies and their alternative asset manager sponsors are down around 30% from early 2025, amid controversy over dramatic industry expansion. Four concerns have been central: falling rates and illiquidity premiums; underwriting quality, especially for 2020–2022 vintages; software exposure; and redemptions. For now, the main issue is alarm over upcoming loan refinancings, which we see as fully discounted. While investors are anxious about “back book” institutional lending from major banks and we acknowledge war-related yield-curve flattening, we are skeptical that private credit risks are systemic to the broad financials sector. Although bank lending to nonbank financial sponsors has surged, direct private sponsor exposure accounts for only about 2% of all lending. Risks thus pertain less to bank balance sheets than to fee generation, should private credit activity slow—a scenario potentially offset by a pickup in other capital markets activity. We also see positive developments for global systemically important banks and related excess capital that could be used for strategies such as share repurchases and faster loan growth, which may not be baked into earnings forecasts. Time to go fishing in the sector. **Consider** exploiting fear-driven valuation anomalies. With regulatory catalysts and excess capital deployment poised to offset private credit exposure, US financials are among the best places to search. We are positioning for both offense and defense—buying oversold large-cap, quality names among health care, software and select Mag-7 stocks and reducing positions in consumer sectors and overbought semiconductors. Industrials and materials remain cyclical beneficiaries, while hedge funds, gold, REITs and infrastructure are key defensive allocations. In EM, focus on Latin America over Asia.

Upcoming Catalysts

March 16

Empire State Manufacturing Survey

US industrial production

NAHB/Wells Fargo Housing Market Index

March 17

ADP weekly employment change

March 18

US PPI

US core PPI

US factory orders

March 19

US initial jobless claims

US continuing jobless claims

US new home sales

US Wholesale Trade Report

Rather than stimulus-fueled market broadening and a disinflationary capex boom helping to generate a fourth year of the generative AI (GenAI) bull market, as predicted by most pundits and investors, 2026 has so far been anything but easy. On the contrary, although US equity indexes, as represented by the S&P 500, are

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down only 3.1% for the year to date and continue to trade within the tight band they've occupied since October, investors have been buffeted by one set of anxieties after another.

First, there were fears that the GenAI boom was running too hot, with hyperscaler capex fostering negative free-cash-flow growth, further debt financing, more complex and circular equity deals, and declining share repurchases amid limited visibility regarding revenue-model viability and timing of investment returns. This caused the Magnificent Seven (Mag-7) stocks to pull back roughly 10%, prompting rotation of market leadership. Second, investors rushed to discount imminent AI disruption, seemingly based on concerns around software, taking the sector down nearly 30%. Third, worries about private credit intensified, having begun about a year ago with several high-profile bankruptcies. Since then, pressures on the private credit sector have intensified. They have encompassed fears about declining rates, illiquidity premiums and total payouts; credit and underwriting quality; software loans potentially enfeebled by GenAI; and surging investor redemption requests accompanied by slower fundraising. Here too, the sector was aggressively punished. Notably, prices of exchange-listed business development companies (BDCs), which serve as publicly traded proxies for private credit more generally, fell roughly 30% along with returns for their sponsors—the alternative asset managers. And of course, there has been the shock of soaring oil prices, with Brent crude up 69% for the year to date amid the Iran war. Given this dynamic, the market has begun to discount the possibility of stagflation (lower growth and higher inflation), pushing the two-year US Treasury yield up 35 basis points in March, flattening the two-year/10-year yield curve to 55 basis points and reducing prospects for Federal Reserve easing. In fact, the probability of even a single 25-basis-point rate cut recently fell below 70%.

Financials stocks have been at the cross section of all these headwinds, with the overall sector down 11% for the year to date and some of the largest-capitalization names off as much 45%, among the S&P 500's worst underperformers. *Chart of the Week* illustrates the strong correlation between the sell-off in private credit/public BDCs and the broad financials sector, while sector impediments from the flattening yield curve are examined in *Fixed Income Insight*. With uncertainty about the war's duration high, and the oil shock's implications therefore murky, investors are left to consider whether financials can find relief from a peak in the private credit pain. We think the answer is yes.

To be clear, we think the repricing of private credit is justified and fair. From our seat, the rapid growth of the industry and aggressive push into retail channels and evergreen products have exacerbated stresses that were already emerging. With portfolios dominated by floating-rate loans, the compression of absolute yields—given 175 basis points of rate cuts and credit spreads among the tightest in 30 years—presaged declining total returns. Illiquidity premiums were also vanishing, as new product design and liquidity features reduced yield spreads while competition generated further downward pressure. In addition, industry data made it increasingly clear that as growth crested in 2023–2024, covenant-lite loans and lax underwriting standards took over, with funds overweighting the expensive 2021 vintage. As recently as last summer, stress was showing in the form of rising loan nonaccruals. Borrower payments in kind, distressed exchanges and liquidity-management exercises all suggested that the share of troubled loans was closer to 5% than that implied by the reported 1.5% default rate. Furthermore, as software stocks and loans began to sink under the weight of GenAI disruption fears, private credit's 20%–30% industry portfolio exposure also became clear. Critically, the combination of industry concentration and software's inherent characteristics made pressure on BDCs reasonably easy to predict, as private credit software loans are chronically lower rated (more than 50% below B-) and maturity walls front-end loaded. This led to surging, and in some cases nearly unmanageable, retail redemption requests that pressed up against the industry-standard 5% quarterly gate limit.

While all this is true, it's critical that private credit loan books don't currently face a default or credit/liquidity crisis. Rather, they face a loan-to-value problem, where markdowns on total equity value translate to higher hurdles for refinancings, which have been the lifeblood of many portfolios, especially among loans tied to the longer-lived and slower-exiting private equity industry. Ultimately, this is a default-rate and recovery-ratio problem likely to manifest itself by 2028. With the damage to funds and asset managers done, we think the worst cases are discounted, especially with the front-end rate back above 3.7%.

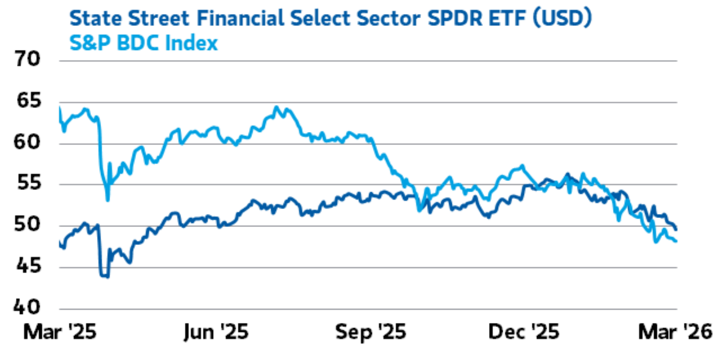
So, while investors have rightly repriced private credit, we don't think the pain presents a systemic risk to the broader financials sector. The first reason is size. According to the Federal Reserve Bank of Boston, bank lending to nonbank financial sponsors has grown rapidly in the post-Great Financial Crisis era, recently representing between 11% and 14% of the total US banking system loan book. Direct bank-lending exposure to private equity and private credit sponsors is lower, however, at approximately $335 billion, or only 1.5%–2.0% of all lending, suggesting that balance sheet exposure is relatively light. Notably, roughly 50% is concentrated among the six largest capital markets banks, so exposure for capital markets banks is closer to 3%–4%. That said, the total income statement and economic connectivity of the banks to the private credit/private equity ecosystem is significant. Capital markets banks earn fees from warehousing, risk transfer and hedging, which could be at risk if industry growth and fundraising slow. In the near term, the GIC is not worried about imminent earnings impact. On the contrary, any sponsor-linked slowdowns may be offset by a pickup in other capital markets activity, such as mergers and acquisitions, underwriting and initial public offerings, even with the yield curve's likely temporary flattening.

A final point is that, amid all the noise and market anxiety, near-term regulatory catalysts around global systemically important bank (GSIB) capital surcharges and the Basel III Endgame are not priced in, according to Morgan Stanley & Co. Research analysts. They expect that large-cap banks, currently sitting on $175 billion of excess capital, will see that surplus rise to somewhere between $212 billion and $279 billion following upcoming GSIB and Basel Endgame proposals. Using this excess capital for loan growth, capital markets underwriting and share repurchases suggests positive 2027 and 2028 earnings revisions for the GSIBs; MS & Co. Research's earnings forecasts for 2027 and 2028, respectively, are 6% and 8% above consensus.

Bottom Line. Markets continue to be buffeted by controversies, with financials seemingly in the crosshairs of them all. Recently louder headline noise around private credit and BDCs is likely justified by forces that have punctuated the sector's dramatic growth: declining yields and lower illiquidity premiums; rising nonaccruals; software exposure; and redemption requests. That said, with public BDC prices down nearly 30% from early 2025, along with their asset manager sponsors, pain from a weak refinancing and recovery cycle is probably mostly discounted, resulting in potential stock-picking opportunities. Equally notable, the broad financials sector has sold off in sympathy. Here, we view private credit contagion as manageable and nonsystemic, given overall bank balance sheet exposure of roughly 2% and potential for possible lost fees to be offset by a pickup in other capital markets activity. Finally, we see catalysts—not fully discounted in earnings forecasts—in the form of the Basel III Endgame and GSIB surcharge rule changes, which should free up excess capital. **Watch** for calming of private credit fund redemption requests and positive regulatory announcements regarding GSIB capital requirements to mark a good entry point for financials. **Consider** exploiting fear-driven valuation anomalies. With regulatory catalysts and excess capital deployment poised to offset private credit exposure, US financials may be among the best places to search. We are positioning for both offense and defense—buying oversold large-cap, quality names among health care, software and select Mag-7 stocks and reducing positions in consumer sectors and overbought semiconductors. Industrials and materials remain cyclical beneficiaries, while hedge funds, gold, REITs and infrastructure are key defensive allocations. In EM, focus on Latin America over Asia.

Chart of the Week: Private Credit Software Contagion Leaking to Banks

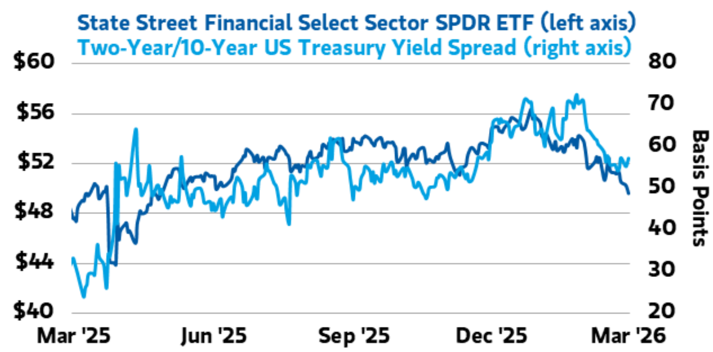
Private credit, as represented by public BDC proxies, has been trading down since last summer on concerns about rising nonaccruals and some high-profile bankruptcies. As the new year began and GenAI disruption fears hit software, BDCs' 20%–30% exposure to the industry became another source of contagion. Growing questions about private credit as an asset class hit asset managers and the capital markets banks that provide solicitation services. While we acknowledge all the links and note that several reratings have been severe given declines of 20% to 45% for some of the larger names, potential systemic risk is still assumed to be manageable, suggesting good stock-picking opportunities.



Note: S&P BDC Index returns are price only.
Source: Bloomberg as of March 11, 2026

Fixed Income Insight: Flatter Yield Curve Has Weighed on Financials

After steepening for most of 2025, as investors priced disinflationary growth fueled by fiscal stimulus and aided by falling inflation, 2026 has marked a decisive turn for the two-year/10-year US Treasury yield curve. With economic data surprising to the upside, the Iran war generating an oil shock and labor markets seemingly stabilizing around a "no hire/no fire" equilibrium, investors have priced out one to two Federal Reserve rate cuts, driving the two-year yield back above 3.7%. Meanwhile, long-term rates have stayed mostly biased higher, as investors recognize that the Iran war and Supreme Court tariff decisions are likely to raise debt and deficits. All told, a flatter yield curve means lower net interest margin spreads for banks, and the financials sector has traded in lock-step. We see opportunities for patient, long-term investors to add to bank exposure.



Source: Bloomberg as of March 11, 2026

Market Factor Data Points (for the week ending March 13, 2026)

Report	Period	Consensus	Actual	Prior	Trend
New York Fed One-Year Inflation Expectations	Feb. '25	3.13%	3.00%	3.09%	↓
NFIB Small Business Optimism Index	Feb. '25	99.6	98.8	99.3	↓
US existing home sales	Feb. '25	-0.8%	1.7%	-5.9%	↑
US Core CPI, year over year	Feb. '25	2.5%	2.5%	2.5%	-
US CPI, year over year	Feb. '25	2.4%	2.4%	2.4%	-
US federal budget balance	Feb. '25	-$310.0b	-$307.5b	-$307.0b	↓
US personal income	Jan. '26	0.5%	0.4%	0.3%	↑
US personal spending	Jan. '26	0.3%	0.4%	0.4%	-
US Core PCE	Jan. '26	0.4%	0.4%	0.4%	-
US durable goods orders	Jan. '26	1.1%	0.0%	-0.9%	↑
U. of M. Consumer Sentiment Index	Mar. '25	54.8	55.5	56.6	↓

Color coding shows how actual data compares with consensus estimates. Green implies better than expected, red implies worse than expected. Trend shows the one-period change between actual and prior reports. Source: Morgan Stanley Wealth Management GIC

Macro Factor Heat Map (as of March 13, 2026)

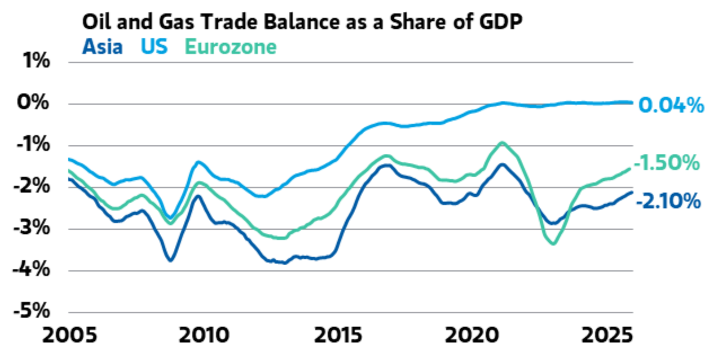
	Economic Growth	Rates	Inflation / Deflation	Liquidity	Sentiment And Risk	Valuation	Earnings	GIC Conclusion
Europe	↑	↑	↓	↑	↓	↑	↓	A Greater Profitability Gap to US Peers And Subdued Domestic Growth Merits an Underweight
China	↓	↑	↑	↑	↓	↓	↓	Upward Earnings Revisions Accelerated in 2025 on US-China Trade Deal Hopes But Macro Weakness Remains
Japan	↑	↑	↓	↑	↑	↑	↓	Exit From Deflation, Improving Pricing Power, and Fiscal Stimulus Underpin a Constructive Outlook
Brazil	↑	↑	↓	↓	↓	↑	↑	Valuations, Commodity Price Upside, Prospective Rate Cuts, and a Weaker Dollar Support Further Multiple Expansion

Risk Asset Positive	Neutral	Risk Asset Negative

Note: Text in a factor box denotes a color; for further explanation of the chart, see page 11.
Source: Morgan Stanley Wealth Management GIC

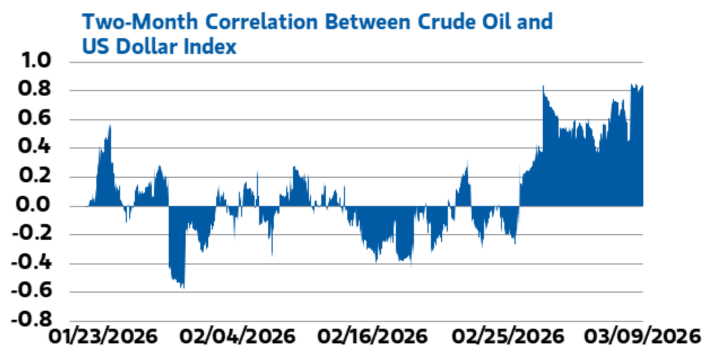
Charts in Focus: Oil and Energy Dynamics

US Relatively Well Positioned for an Oil Shock



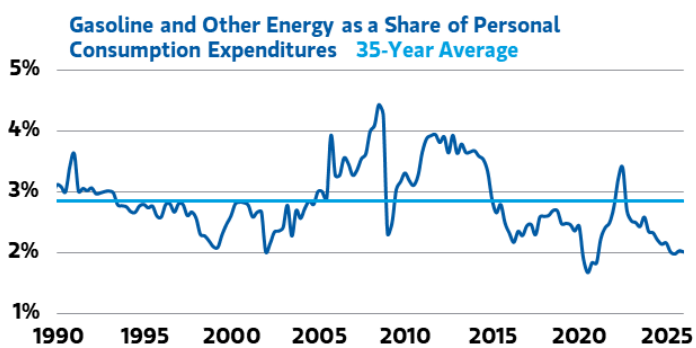
Source: Morgan Stanley & Co. Research as of Dec. 31, 2025

Petrodollar Dynamics Fueling Oil and Dollar Link



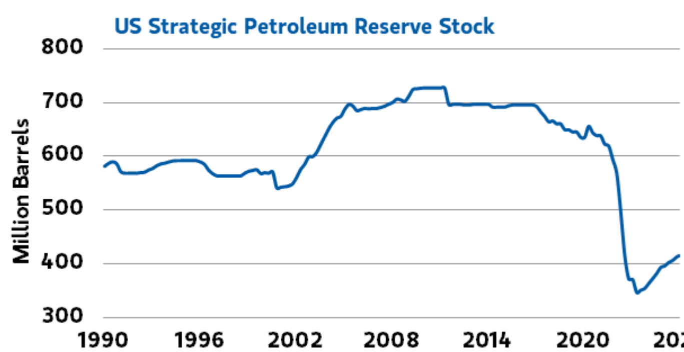
Source: Bloomberg as of March 9, 2026

Share of Consumption Spent on Energy Subdued



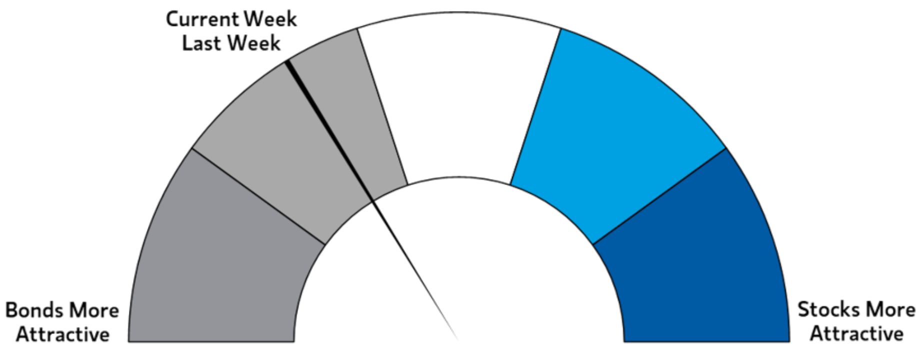
Source: Bloomberg as of Dec. 31, 2025

Strategic Petroleum Reserve Level Fairly Low



Source: Bloomberg as of March 6, 2026

Short-Term Stock and Bond Indicator



	MACRO		POLICY		FUNDAMENTALS		SENTIMENT & TECHNICALS	
	Growth	**Inflation**	**Rates**	**Liquidity**	**Valuation & Market**	**Earnings**	**Sentiment**	**Technicals**
Current	Neutral	Very Positive	Neutral	Very Negative	Very Negative	Neutral	Neutral	Neutral
Last Week	Neutral	Very Positive	Neutral	Very Negative	Very Negative	Neutral	Neutral	Neutral

CATEGORY	INDICATOR	READING
Growth	PMI (+)	Neutral
	Durable Goods (+)	Neutral
	Retail Sales (+)	Neutral
	Manufacturing Hours Worked (+)	Neutral
Inflation	Commodity Prices (+)	Risk On
Rates	Yield Curve: 10-Yr./Three-Mo.(+)	Neutral
	Yield Curve: Two-Yr./Three-Mo.(+)	Neutral
	Pace of Interest Rate Hikes (+)	Neutral
	Term Premium Model (+)	Risk On
Liquidity	High Yield Spreads (-)	Risk Off
	Investment Grade Spreads (-)	Neutral
	Financial Conditions (+)	Risk Off
Valuation & Market Behavior	S&P 500 Earnings/Baa Yield (+)	Risk Off
	Large vs. Small Performance (-)	Risk Off
	High- vs. Low-Quality Performance (-)	Neutral
	High- vs. Low-Beta Performance (+)	Risk Off
	S&P 500 Forward Price/Earnings Ratio (+)	Risk Off
Earnings	Earnings Revisions Breadth (+)	Neutral
Sentiment	Global Risk Demand (+)	Neutral
	Implied Currency Volatility (-)	Neutral
	Five-Yr. Macro Sensitivity (-)	Neutral
Technicals	% Stocks Above 200-Day Moving Avg. (+)	Risk Off
	Cumulative Advance/Decline (+)	Risk Off
	S&P 500 Put/Call Ratio (-)	Neutral
	Emerging Market Fund Flows (+)	Neutral
	Smart Money Flow Index (+)	Risk On

Note: + Indicates that a rise in the indicator is linked to a more favorable outlook for risk assets;
- indicates that a rise in the indicator is linked to a less favorable outlook for risk assets.
Color coding is set in accordance with the impact on risk assets.

Positive for Stocks Relative to Bonds
Neutral
Negative for Stocks Relative to Bonds

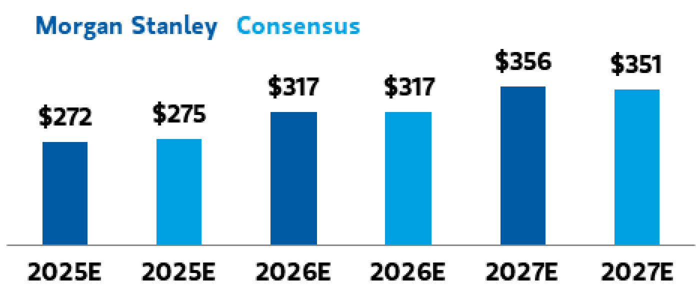
Note: Commodity prices are represented by the Bloomberg Commodity Index; pace of interest rate hikes by the Morgan Stanley Pace of Rate Hikes Index; high yield spreads by the Bloomberg Aggregate US High Yield Index; investment grade spreads by the Bloomberg US Aggregate Index; financial conditions by the Morgan Stanley Financial Conditions Index; global risk demand and implied currency volatility by the Morgan Stanley Standardized Global Risk Demand Index. For more information on our Term Premium Model, please refer to our special report, Using the Term Premium to Manage Portfolio Duration, March 2016. Earnings revisions breadth is defined as the number of positive analyst revisions minus the number of negative analyst revisions divided by the total number of revisions.
Source: Morgan Stanley Wealth Management GIC, Morgan Stanley & Co., Haver Analytics, Bloomberg, FactSet as of March 13, 2026

Asset Class Performance (as of March 13, 2026)

ASSET CLASS	ANNUALIZED RETURNS (%)							YIELD	VALUATION		VOLATILITY (%)		CORRELATION TO GLOBAL EQUITIES	
CASH	YTD	1-Yr	2025	3-Yr[1]	5-Yr[1]	10-Yr[1]	20-Yr[1]	Current YTM	Current YTM	Avg YTM[3]	30 Days	20 Yrs.[1]	30 Days	20 Yrs.[1]
90-Day US Treasury Bills	0.7	4.3	-	-	-	-	-	-	-	0.9	0.1	0.4	-0.04	-
GLOBAL EQUITIES								Current Div. Yld.	Current P/E[2]	Avg. P/E[3]				
US Large-Cap Growth	-7.3	22.4	14.8	26.1	14.4	18.2	12.9	0.53	24.9	20.0	14.8	15.7	0.71	0.93
US Large-Cap Value	2.2	19.8	18.4	16.0	11.8	11.9	8.5	1.78	16.8	14.5	11.1	15.3	0.72	0.94
US Mid-Cap Growth	-5.3	13.4	8.2	15.7	6.3	13.2	10.0	0.58	24.4	21.6	18.5	17.7	0.54	0.92
US Mid-Cap Value	2.8	20.4	19.3	13.9	10.2	11.3	8.9	1.79	15.4	15.7	14.2	17.2	0.64	0.92
US Small-Cap Growth	-2.4	24.7	21.9	13.8	2.3	11.3	8.5	0.49	31.2	29.1	21.3	20.2	0.62	0.86
US Small-Cap Value	3.0	27.6	24.9	12.4	7.7	10.9	7.4	1.90	17.4	17.3	17.6	19.6	0.56	0.85
Europe Equity	-1.4	19.7	32.6	18.9	12.5	11.0	6.6	2.72	14.8	13.1	23.7	18.3	0.81	0.95
Japan Equity	4.5	27.6	44.5	23.0	10.1	10.9	5.0	1.78	16.3	15.3	29.5	15.2	0.35	0.73
Asia Pacific ex Japan Equity	5.5	27.3	33.2	14.3	7.6	9.8	7.3	3.23	16.9	14.7	19.8	19.5	0.63	0.90
Emerging Markets	4.9	36.5	50.8	22.1	6.8	11.1	6.6	2.05	12.1	11.8	28.9	20.7	0.54	0.87
GLOBAL FIXED INCOME								Current YTM	Current Spread	Avg. Spread[3]				
Short-Term Fixed Income	0.1	4.5	5.5	5.2	1.8	2.2	2.8	3.99	18.8	25.0	1.8	1.9	0.11	0.02
US Fixed Income	-0.2	4.7	6.3	5.1	0.4	2.0	3.3	4.54	30.6	48.0	3.5	3.6	0.10	0.10
International Fixed Income	-1.6	4.4	9.9	4.3	-2.6	0.4	1.9	3.01	27.2	46.0	8.1	7.8	0.68	0.42
Inflation-Protected Securities	0.6	4.7	5.1	4.6	1.7	3.0	3.6	-	-	-	2.6	5.9	-0.06	0.21
High Yield	-0.5	7.2	7.2	9.4	4.5	6.7	6.7	7.54	311.4	468.0	2.9	9.2	0.74	0.76
Emerging Markets Fixed Income	-1.4	12.5	20.2	10.4	2.6	4.1	4.0	6.24	182.74	302.0	11.8	11.8	0.81	0.70
ALTERNATIVE INVESTMENTS								Current Div. Yld.						
Real Estate/REITs	4.2	16.1	19.0	9.9	4.7	5.6	4.7	3.92	-	-	10.7	18.6	0.64	0.85
Energy Infrastructure/MLPs	20.5	23.5	19.6	27.4	25.4	15.0	-	-	-	-	16.2	20.1	-0.10	0.68
Commodities ex Prec. Metals	24.0	18.5	4.2	0.7	6.6	4.6	-2.0	-	-	-	26.9	17.7	-0.53	0.51
Precious Metals	18.0	86.4	109.0	46.9	25.5	15.8	11.1	-	-	-	34.6	19.4	0.49	0.22
Hedged Strategies[5]	0.5	7.3	8.4	5.6	3.1	3.7	-	-	-	-	5.0	5.2	0.92	0.80
Managed Futures[6]	2.6	9.3	10.8	4.2	3.1	2.0	-	-	-	-	9.1	6.3	0.83	0.19
S&P 500	-2.9	21.7	17.0	21.8	14.2	15.5	10.9	1.15	20.4	16.3	11.66	14.8	0.79	0.96
Russell 2000	0.1	26.1	23.3	13.1	5.0	11.3	8.1	1.18	22.8	22.0	19.20	19.5	0.60	0.87
MSCI EAFE	0.7	22.4	35.3	19.4	11.3	10.8	6.3	2.54	15.3	13.6	20.31	16.6	0.80	0.97
MSCI AC World	-1.2	23.9	24.7	21.3	12.2	13.5	8.7	1.64	17.7	14.9	11.66	15.6	1.00	1.00

Note: Performance values calculated using USD. 1. As of February 27, 2026. 2. Forward P/E using Next 12-month earnings 3. 20-year average as of February 27, 2026. 4. Volatility and Correlation: June 30, 2006 – Present. 5. Volatility and Correlation: Jan. 31, 1998 – Present Hedged strategies consist of hedge funds and managed futures 6. Volatility and Correlation: Feb. 28, 1998 – Present. Standard deviation (volatility) is a measure of the dispersion of a set of data from its mean.
Source: FactSet, Bloomberg, Morgan Stanley Wealth Management GIC

S&P 500 Earnings Estimates



Note: Consensus 2027 earnings as of Nov. 17, 2025.
Source: FactSet, Morgan Stanley & Co. Research as of March 13, 2026

MS & Co. S&P 500 Price Target: Year-End 2026

LANDSCAPE	Y/E 2027 EARNINGS EST	PRICE/EARNINGS MULTIPLE	PRICE TARGET	UPSIDE/ DOWNSIDE
Bull Case	$393	23.0	9,000	35.7%
Base Case	$356	22.0	7,800	17.6%
Bear Case	$280	20.0	5,600	-15.6%
Current S&P 500 Price			6,632	

Source: FactSet, Morgan Stanley & Co. Research as of March 13, 2026

S&P 500 Sector Performance and Valuation (as of March 13, 2026)

	TOTAL RETURN						
INDEX NAME	WTD (%)	YTD (%)	1-YEAR (%)	DIVIDEND YIELD (%)	BETA	20-YEAR AVG. FORWARD 12-MO. PE	FORWARD 12-MO. P/E*
S&P 500	***-1.56***	***-2.86***	***21.65***	***1.15***		**16.28**	**20.44**
Energy	2.16	29.21	37.74	2.65	0.78	13.85	**20.49**
Materials	-1.48	7.89	18.16	1.72	0.83	15.69	**18.83**
Industrials	-3.13	6.18	29.73	1.15	0.91	16.87	**24.57**
Consumer Discretionary	-2.95	-7.90	15.57	0.67	1.26	20.64	**25.98**
Consumer Staples	-0.17	10.48	13.02	2.31	0.27	17.89	**22.62**
Health Care	-1.95	-3.20	6.03	1.72	0.50	15.07	**17.63**
Financials	-3.38	-10.74	4.54	1.49	0.87	12.94	**14.20**
Information Technology	-0.82	-6.62	31.63	0.54	1.40	18.67	**22.65**
Telecommunication Services	-1.18	-2.87	36.78	0.63	1.04	15.88	**20.83**
Utilities	0.48	10.04	24.89	2.57	0.44	16.02	**19.14**
Real Estate	-1.10	7.72	10.46	3.44	0.55	16.41	**17.74**

Source: Morgan Stanley & Co. Research

Equity Market Relative Valuation (as of March 13, 2026)

	Forward 12 Months									
	Price/Earnings		Price/Cash Flow		Price/Sales		Price/Book Value		Equity Risk Premium	
	Level	%-ile	Level	%-ile	Level	%-ile	Level	%-ile	Level	%-ile
US Equities (Russell Indices)										
Large-Cap Growth	25.1	71%	20.8	73%	4.9	89%	9.3	75%	-16	16%
Large-Cap Value	17.5	90%	12.2	86%	2.1	99%	2.8	99%	157	6%
Mid-Cap Growth	25.1	70%	17.2	58%	2.0	43%	8.0	81%	-16	15%
Mid-Cap Value	16.5	58%	10.8	73%	1.5	87%	2.3	94%	190	8%
Small-Cap Growth	31.0	44%	13.0	46%	2.0	86%	3.7	63%	-91	18%
Small-Cap Value	19.7	78%	3.6	5%	1.0	85%	1.2	36%	94	7%
International Equities										
Europe	15.4	86%	10.3	99%	1.8	99%	2.2	99%	362	1%
Japan	17.7	93%	11.6	100%	1.5	100%	1.8	99%	350	1%
Asia Pacific ex Japan	17.3	90%	11.3	67%	3.1	99%	2.0	99%	93	1%
Emerging & Frontier Markets	12.3	77%	8.0	81%	1.7	99%	1.9	99%	815	23%
Total Equities										
US	20.8	77%	14.9	81%	2.8	96%	4.0	92%	68	12%
International	16.2	90%	10.8	99%	1.9	99%	2.1	99%	619	10%
Emerging Markets	12.3	77%	8.0	81%	1.7	99%	1.9	99%	815	23%

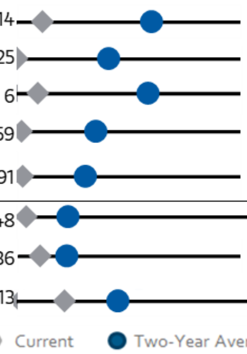
Note: Dark blue, light blue and gray fill denotes whether the group is relatively attractive, neutral or unattractive to other groups under the same metric.
Source: Bloomberg

Government Debt Monitor & Fixed Income Spread Dashboard

US				
	YIELD (%)			TOTAL RETURN (%)
Treasury Benchmark	Current	ΔWTD	ΔYTD	YTD
3-Month	3.68	0.03	0.06	0.75
2-Year	3.72	0.16	0.24	0.22
5-Year	3.86	0.13	0.13	0.03
10-Year	4.28	0.14	0.11	-0.21
30-Year	4.90	0.15	0.06	-0.38
2-Yr./10-Yr. Spread (bp)	55.98	-1.80	-13.42	-
10-Yr. TIPS Breakeven (bp)	237.96	2.75	13.38	-
Interest Rate Volatility† (bp)	91.17	9.91	24.59	-

		DURATION (YRS.)	YIELD-TO-WORST (%)	OAS (BP)	RICH	CHEAP
INVESTMENT GRADE	MBS*	5.43	4.81	24	14	56
	AAA	4.23	4.21	28	25	45
	AA	5.79	4.35	10	6	22
	A	6.86	5.00	78	59	101
	BBB	6.74	5.35	114	91	146
HIGH YIELD	BB	3.60	6.13	197	148	302
	B	3.14	7.60	345	236	460
	CCC	2.91	10.53	642	513	891

OAS RANGE**



Unless stated, indexes utilized are FTSE Broad Investment Grade, FTSE High Yield, and FTSE Global Indexes †Interest Rate Volatility measured by Merrill Lynch Option Volatility Estimate (MOVE) Index *MBS distills high grade agency-rated mortgage-backed securities, a substantial subsector of investment grade indexes. **OAS stands for Option-Adjusted Spread or spread over the Treasury. Grey diamond denotes current OAS; blue circle denotes two-year average.
Source: Bloomberg as of March 13, 2026

Government Debt Monitor & Benchmark Returns

Global				
	YIELD (%)			TOTAL RETURN (%)*
10-Year Govt. Bond	Current	ΔWTD	ΔYTD	YTD
France	3.67	0.16	0.11	0.27
Germany	2.98	0.12	0.13	0.18
Japan	2.25	0.09	0.19	-0.13
Spain	3.49	0.14	0.21	-0.05
UK	4.82	0.20	0.35	-1.16
US Tax Exempt				
10-Year AAA Muni	2.83	0.67	0.51	0.73
10-Yr. Muni/UST Ratio	66.17	-15.87	-20.15	-

	TOTAL RETURN (%)		
Index	YTD	MTD	2025
Bloomberg Barclays US Aggregate	-0.16	-1.88	7.30
Bloomberg Barclays US MBS	0.28	-1.77	8.58
Bloomberg Barclays US IG Corporate	-0.94	-2.37	7.77
Bloomberg Barclays Municipal	0.73	-1.44	4.25
Bloomberg Barclays US High Yield	-0.51	-1.20	8.62
Bloomberg Barclays Global Aggregate	-0.96	-2.96	8.17
JPMorgan Emerging Market	-0.10	-2.03	13.45

*Global total returns reflect Citigroup 7- to 10-year bond indexes and Muni total returns reflect Bloomberg Municipal Bond Index Total Return
Source: Bloomberg as of March 13, 2026

Morgan Stanley & Co. Forecasts (as of March 13, 2026)

	REAL GDP GROWTH (%)			10-YR. GOVT. BOND YIELD (%)		HEADLINE INFLATION (%)		
	2025E	2026E	2027E	Q2 '26E	Q4 '26E	2025E	2026E	2027E
Global	3.5	3.3	3.3			2.0	2.1	2.0
US	2.1	2.5	2.4	3.75	4.05	2.7	2.8	2.3
Eurozone	1.5	1.0	1.2			2.1	2.2	1.7
UK	1.4	0.9	1.6	3.95	3.90	3.4	2.2	2.1
Japan	1.2	0.8	1.1	2.30	2.40	3.2	1.7	0.6
Emerging Markets	4.9	4.5	4.4			1.5	1.8	2.1
China	5.0	4.8	4.6			0.1	0.2	0.7

Source: Morgan Stanley & Co. Research

Tactical Asset Allocation Reasoning

Global Equities	Weight Relative to Model Benchmark	
US	Overweight	The disinflation boom thesis catalyzed by the GenAI capex buildout, along with aggressive monetary, fiscal and regulatory stimulus, is now very much consensus. Forecasts are ambitious and embed an expectation for cyclical broadening that takes S&P "493" earnings growth from 6%–8% in 2025 to 14%–16% in 2026. In a market that is already expensive, concentrated and complacent, this suggests the aperture for upside surprise is narrow, and markets are apt to be quite brittle in the face of exogenous shock. With midterm-election-related policy already hitting a fever pitch, potential for these undiscounted events to occur is going up. Thus, while we are bullish (with an S&P 500 Index target at 7,500 to 7,800), we prefer stock picking to simply owning the cap-weighted index. Favor financials, health care and select industrials and energy.
International Equities (Developed Markets)	Underweight	Recent outperformance has been catalyzed as responses to the “America First” agenda have driven fiscal stimulus and China's record export push has been cooling rest-of-world (ROW) inflation. This is creating ROW opportunities that may simultaneously enjoy monetary, fiscal and currency-related stimulus. The outlook is improving in Japan as corporate restructuring occurs alongside a reflationary surge three decades in the making.
Emerging Markets	Overweight	The US-China trade conflict, now in a one-year truce, has created opportunities. China exports are booming and delivering helpful goods deflation to the ROW, where central banks are responding with rate cuts. Surging industrial commodity prices alongside falling energy prices are a perfect brew for emerging markets, especially as forces continue to bias the US dollar weaker, helping dollar-denominated debt servicing. The "new Monroe Doctrine" creates additional opportunities not only for pro-business political stability in Latin America but for direct investment. For Asia, strategic realignment opportunities continue to surface as the US turns away. India remains a recommended secular growth long.
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 two 25-basis-point rate cuts discounted. Stealth QE in the form of reserve management purchases of T-bills by the Fed and MBS QE by Fannie Mae and Freddie Mac are easing financial conditions materially, putting pressure on the long end of the curve as inflationary pressures build. A final note of caution is our forecast for a surge in IG corporate issuance, which we see on the back of increasing capex and rising M&A deal activity. As a result, we are continuing to reduce 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.
Opportunistic Fixed Income	Market-Weight	High Yield is competing effectively with better liquidity, transparency and credit quality than private credit. In ROW and emerging market debt, 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.
Alternative Investments	**Weight Relative to Model Benchmark**	
Real Assets	Overweight	We expect higher stock-bond correlations, which place 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 industrial metals, energy infrastructure and interesting opportunities aimed at solving the residential housing shortage.
Hedged Strategies	Overweight	We recently added to equity hedged positions, noting the pickup in idiosyncratic risk, falling borrowing costs and rising stock level dispersion. 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/market neutral hedge funds.

Note: Opportunistic Fixed Income includes Inflation-Linked Securities, High Yield Fixed Income, International Fixed Income and Emerging Market Fixed Income. The GIC asset allocation models' benchmarks do not include exposure to Opportunistic Fixed Income. Real Assets includes Real Estate/REITs, Commodities and Energy Infrastructure/MLPs. Hedged Strategies include Absolute Return Assets, Equity Hedge Assets and Equity Return Assets.
Source: Morgan Stanley Wealth Management GIC as of March 13, 2026

Macro Factor Heat Map Key

	Economic Growth	Rates	Inflation / Deflation	Liquidity	Sentiment and Risk	Valuation	Earnings	Conclusion
Dark Blue	Economic growth robust	Steep yield curve	Low-moderate and rising inflation	Liquidity robust in economy / banking system	Shorter-term sentiment and technicals bearish	Risk assets attractively valued	Earnings outlook robust	Confluence of factors supports a risk-on investment approach
Light Blue	Economic growth neutral	Normal yield curve	Low-moderate and declining inflation; moderate inflation; higher and falling inflation	Liquidity neutral in the economy / banking system	Shorter-term sentiment and technicals neutral	Risk assets neutral	Earnings outlook neutral	Confluence of factors supports a neutral investment approach
Gray	Economic growth anemic	Flat/inverted yield curve	Very high/low inflation/deflation; high and rising inflation	Liquidity low in economy / banking system	Shorter-term sentiment and technicals bullish	Risk assets are richly valued	Earnings outlook anemic	Confluence of factors supports a risk-off investment approach
Up	Growth accelerating	Yield curve steepening	Inflation rising	Liquidity increasing	Sentiment becoming more bullish	Valuations rising	Earnings outlook improving	
Down	Growth declining	Yield curve flattening	Inflation falling	Liquidity decreasing	Sentiment becoming more bearish	Valuations falling	Earnings outlook worsening	
Signal Horizon	One to three years	One to three years	One to three years	One to three years	One to three months	Six months to two years	Six months to two years	
Inputs	• Industrial production • Unemployment • Total return • Earnings revisions • Home prices • OECD LEI (China and Brazil) • MS & Co. ARIA (US)	• 10-year vs. 2-year government bond yield spread	• Consumer Price Index	• M1 growth • Private credit growth • Libor-OIS spread	• MS US Equity Risk Indicator (US) • MS Combined Market Timing Indicator (Europe) • MS Global Risk Demand Index • Relative strength index • Members above / below moving average. • Index above / below moving average • Consumer confidence	• Forward price/earnings ratio • Price/book ratio • Equity risk premium • High yield option-adjusted spread	• Earnings revisions breadth • Earnings surprise • Return on equity	• Weighted average z-score of all factors

Source: Morgan Stanley Wealth Management GIC

Disclosure Section

The **Global Investment Committee (GIC)** is a group of seasoned investment professionals from Morgan Stanley & Co. and Morgan Stanley Wealth Management who meet regularly to discuss the global economy and markets. The committee determines the investment outlook that guides our advice to clients. They continually monitor developing economic and market conditions, review tactical outlooks and recommend asset allocation model weightings, as well as produce a suite of strategy, analysis, commentary, portfolio positioning suggestions and other reports and broadcasts.

Glossary

Earnings revisions breadth is defined as the number of positive analyst revisions minus the number of negative analyst revisions divided by the total number of revisions.

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.

Illiquidity premium is the extra yield investors expect to earn for giving up control to liquidate their capital for a certain period of time.

M2 is a measure of the money supply that includes all elements of M1 as well as "near money." M1 includes cash and checking deposits, while near money refers to savings deposits, money market securities, mutual funds and other time deposits.

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.

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.

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

Additional Index Definitions

S&P BDC INDEX This index is designed to track leading business development companies that trade on major US exchanges.

Risk Considerations

Important note regarding economic sanctions. *This report references jurisdiction(s) or person(s) that are the subject of economic sanctions. Any references in this report to jurisdictions, persons (individuals or entities), debt or equity instruments, or projects that may be covered by such sanctions are strictly incidental to general coverage of the relevant economic sector as germane to its overall financial outlook, and should not be read as recommending or advising as to any investment activities in relation to such jurisdictions, persons, instruments, or projects. Readers are solely responsible for ensuring that their investment activities are carried out in compliance with applicable laws.*

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

MLPs

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. Individual MLPs are publicly traded partnerships that have unique risks related to their structure. These include, but are not limited to, their reliance on the capital markets to fund growth, adverse ruling on the current tax treatment of distributions (typically mostly tax deferred), and commodity volume risk. The potential tax benefits from investing in MLPs depend on their being treated as partnerships for federal income tax purposes and, if the MLP is deemed to be a corporation, then its income would be subject to federal taxation at the entity level, reducing the amount of cash available for distribution to the fund which could result in a reduction of the fund's value.

MLPs carry interest rate risk and may underperform in a rising interest rate environment. MLP funds accrue deferred income taxes for future tax liabilities associated with the portion of MLP distributions considered to be a tax-deferred return of capital and for any net operating gains as well as capital appreciation of its investments; this deferred tax liability is reflected in the daily NAV; and, as a result, the MLP fund's after-tax performance could differ significantly from the underlying assets even if the pre-tax performance is closely tracked.

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.

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.

Alternative investment securities discussed herein are not covered by the protections provided by the Securities Investor Protection Corporation, unless such securities are registered under the Securities Act of 1933, as amended, and are held in a Morgan Stanley Wealth Management Individual Retirement Account.

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.

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.

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 bond funds Ultra-short bond funds are mutual funds and exchange-traded funds that generally invest in fixed income securities with very short maturities, typically less than one year. They are not money market funds. While money market funds attempt to maintain a stable net asset value, an ultra-short bond fund's net asset value will fluctuate, which may result in the loss of the principal amount invested. They are therefore subject to the risks associated with debt securities such as credit and interest rate risk.

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.

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.

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.

Asset-backed securities generally decrease in value as a result of interest rate increases, but may benefit less than other fixed-income securities from declining interest rates, principally because of prepayments.

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

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 <u>and may result in a loss of the entire investment</u>. 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, ***<u>and investors could lose their entire investment</u>***.

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.

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.

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.

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

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.

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.

Credit ratings are subject to change.

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. 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.

Direct indexing may only be appropriate for people who have a considerable amount to invest in a taxable account and want a level of customization they couldn't otherwise obtain through a portfolio of funds or individual securities. If you invest in a tax-deferred account, such as a 401(k) or IRA, the tax-harvesting benefits of direct indexing may provide no additional benefit to you. There is no guarantee that you will maximize value by tax-loss selling; holding onto slumping stock may have resulted in value greater than that obtained through tax-loss harvesting via direct indexing. In addition, you will incur asset-based fees and expenses in a direct indexing account that may be higher than those for other investments, as well as transaction costs arising from customization and frequent rebalancing.

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