Morgan Stanley

WEALTH MANAGEMENT

INVESTMENT STRATEGY

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Global Insights Focus

Unpacking the Global Momentum Trade

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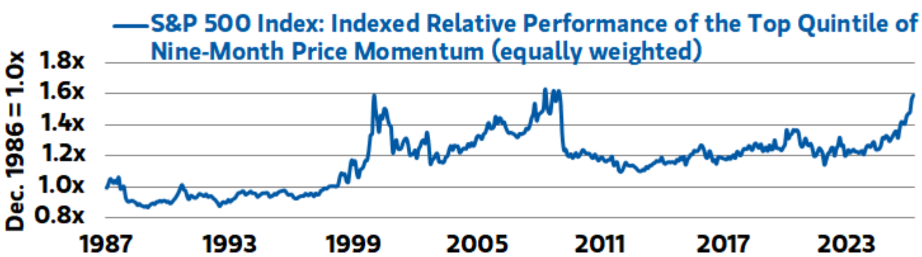
In this edition, we unpack the global resurgence of price momentum over the past year. We spotlight standout gains in technology, energy and metals and mining—sectors riding the wave of artificial intelligence (AI)-driven capex—and examine investment implications.

- Global equity return dispersion has surged over the past year. This stark change following the lull experienced during the Great Financial Crisis (GFC) has helped foster a strong price-momentum regime. Stocks in the top quintile sorted by nine-month price momentum have delivered historic outperformance over that time frame, while the quality factor has seen record repudiation. Momentum leadership has been concentrated in sectors tied to the AI-capex cycle, particularly technology, energy and metals and mining.
- These sectors are also experiencing strong positive earnings revisions breadth, with momentum accelerating further for energy and metals and mining this year. Those stocks in the top quintile of positive earnings revisions breadth have also achieved strong outperformance globally over the past year, as investors have increasingly favored companies with higher earnings visibility. This observation is especially true for companies directly benefiting from elevated levels of US hyperscalers' capex supporting the AI infrastructure build-out.
- The sustained run in price momentum reflects a regime in which investors are doubling down on AI-capex beneficiaries, reinforced by strong first-quarter capex guidance from US hyperscalers. Consequently, price-to-sales ratios—a proxy for how investors are valuing operating leverage—have approached historical highs for semiconductors and memory-related manufacturers. By contrast, second-order beneficiaries like energy and metals and mining continue to offer relatively more attractive valuation starting points.



Source: Morgan Stanley Wealth Management Global Investment Office (GIO), FactSet as of May 1, 2026

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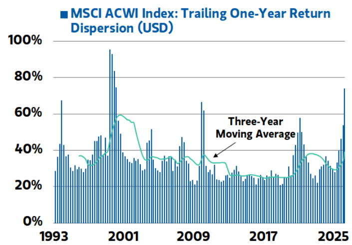
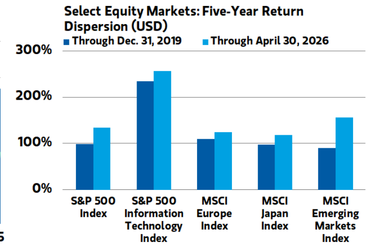
QUANTITATIVE

A Surge in Return Dispersion Is Fueling the Momentum Trade

Return dispersion is helping to sustain the price-momentum regime.

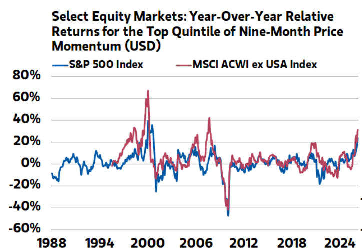


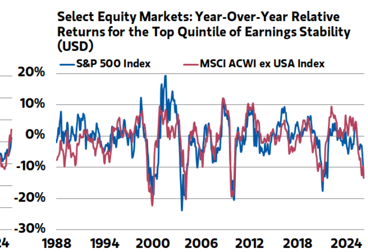


Note: We truncate the top and bottom 1% of the return distribution across constituents each quarter to eliminate extreme observations.
Source: Morgan Stanley Wealth Management GIO, FactSet as of May 1, 2026

Dispersion among global equities, proxied by the MSCI ACWI Index, has risen in the post-COVID period relative to the subdued post-GFC era, reaching 74% when measured on a trailing one-year basis through the end of April—around the 97th percentile since 1993. Over five-year horizons, dispersion has increased most in the emerging markets through April 2026, compared with the five-year period ended in December 2019. Dispersion has risen more modestly among US, European and Japanese equities. The widening gap between leaders and laggards across countries and sectors reflects growing global fragmentation and a more fertile environment for active allocation. Entrenched macro forces—including the AI-driven global capex cycle and the attendant demand for power and metals amid constrained resource supply—appear to be reinforcing a price-momentum regime, raising the risk of crowding, excessive risk-taking and increased market fragility if the momentum leadership were to shift swiftly.

Investors are rewarding price momentum and punishing quality.

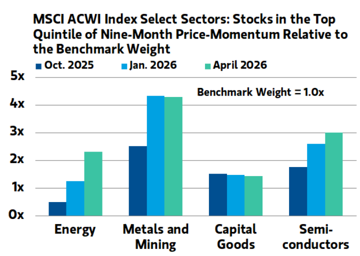


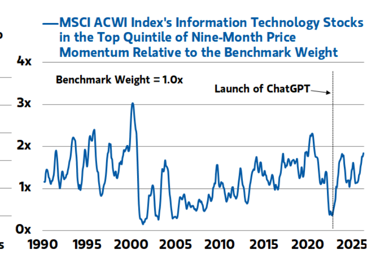


Note: We display equally weighted returns relative to the respective universes.
Source: Morgan Stanley Wealth Management GIO, FactSet as of May 1, 2026

S&P 500 Index constituents in the top quintile ranked by nine-month price momentum have outperformed the index by around 23 percentage points in the 12 months through May 1, 2026—a result that is around the 98th percentile of outcomes since 1988. Within the MSCI ACWI ex USA Index, the equivalent cohort has led by 31 percentage points, ranking at the 96th percentile since 1995. This strength in price trends reflects a regime where global macro trends are becoming entrenched, widening the gap between leaders and laggards. By contrast, stocks in the highest quintile of earnings stability—a proxy for fundamental quality—have underperformed significantly over the same period. The outperformance of momentum, weak quality and elevated dispersion suggest a narrative-driven market in which investors are extrapolating macro trends, raising the risk of valuation overshoots. Moreover, dispersion may offer more limited diversification than it appears, as returns could be increasingly driven by a concentrated set of leading constituents.

Technology and commodity-related stocks have paced global price momentum.





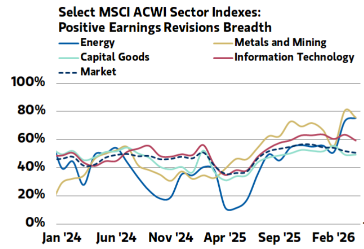
Note: For the right side chart, we smoothed the series with a three-month moving average.
Source: Morgan Stanley Wealth Management GIO, FactSet as of March 31, 2026

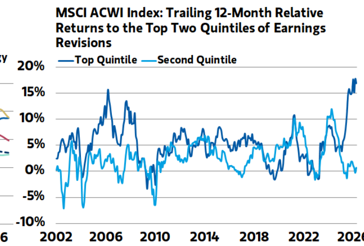
The outperformance of price momentum has accelerated since November, with market leadership increasingly shifting toward energy and metals and mining. As of April, these sectors are more than two times overrepresented in the top quintile ranked by nine-month price momentum, compared with their weight in the MSCI ACWI Index. Semiconductors remain overweight at around three times the benchmark weight, supported by continued optimism around strong AI capex guidance by US hyperscalers. The leadership reflects investors' strong conviction in the global AI-capex cycle, along with constraints in the energy and metals supply required for the build-out of AI data centers—with the Iran conflict exacerbating these issues. While generative AI has been a key driver of returns, it does not appear obvious to us that the current dynamics have reached the excesses of the late-1990s momentum cycle, which ultimately preceded a sharp and sustained compression in valuation multiples.

QUANTITATIVE AND VALUATIONS

Investment Implications of the Global Price-Momentum Cycle

Improving earnings visibility has supported the price-momentum regime.

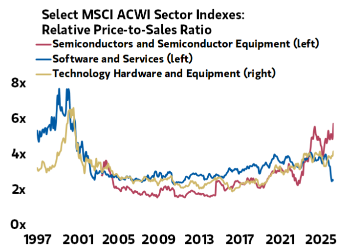


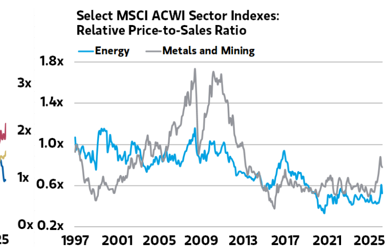


Source: Morgan Stanley Wealth Management GIO, Bloomberg as of May 1, 2026

Rising positive earnings revisions breadth—upward revisions as a share of all revisions over the past three months—has provided fundamental support for sustained price gains. This breadth has proved strong in technology, energy and metals and mining. Investors have honed in on earnings visibility: The top quintile of stocks by positive earnings revisions breadth has outperformed by more than 17 percentage points over the past 12 months—one of the strongest showings since 2002—with only middling performance for stocks in the second-highest quintile. First-quarter earnings reports have so far validated this optimism, with MSCI ACWI Index semiconductor and semiconductor equipment companies topping consensus earnings estimates by an aggregate of around 24% through May 4. For metals and mining, the statistic checks in around 110%, while for energy companies it is around 6%.

AI's "picks and shovels" are priced for perfection, while resource suppliers show more valuation runway.

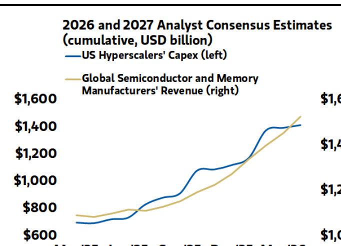


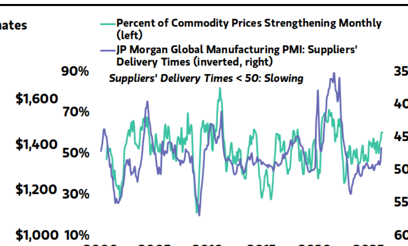


Note: We display the trailing 12-month price-to-sales ratio of the sector relative to the MSCI ACWI Index's ratio.
Source: Morgan Stanley Wealth Management GIO, FactSet as of May 1, 2026

Despite strong positive earnings revisions breadth across AI-linked industries, valuation starting points among them differ materially. Semiconductors, semiconductor equipment and technology hardware and equipment—the AI "picks and shovels"—trade near the top of their relative price-to-sales ratio ranges since 1997, reflecting expectations for significant operating leverage and margin expansion. By contrast, software and services stocks have derated since October amid concerns around AI-driven disruption, with relative price-to-sales ratios having fallen to the cheapest decile in history. Meanwhile, second-order beneficiaries like energy and metals and mining—key inputs to the AI infrastructure build-out—trade at just the 20th and 58th percentiles of their historical ranges, respectively, potentially offering more attractive exposure to the AI-capex cycle. As a result, the recent pickup in commodity-related equities entering the top quintile of price momentum suggests this rotation could persist, potentially establishing a new phase of market leadership.

The macro forces behind the price-momentum regime appear intact.



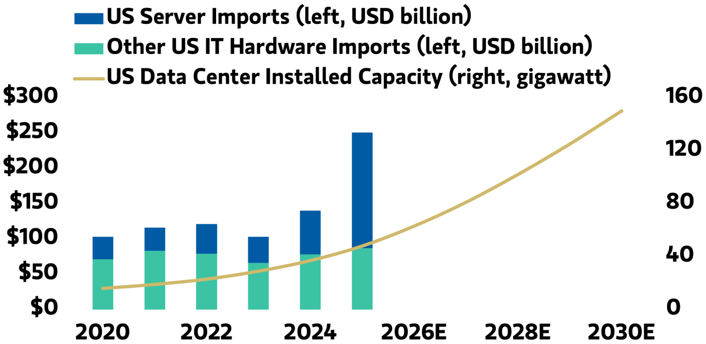


Note: We used 23 commodities in the breadth computation and smoothed it with a six-month moving average.
Source: Morgan Stanley Wealth Management GIO, FactSet, Bloomberg, Haver Analytics as of May 1, 2026

US hyperscaler (i.e., Amazon, Google, Meta, Microsoft and Oracle) AI capex, combined with tightening resource supply, continues to drive the trend—now reinforced by fresh upward capex revisions. Following first quarter guidance, hyperscalers again raised their 2026 capex forecasts, extending the positive revision cycle that began in 2025. Alphabet, for instance, guided to around $190 billion in 2026 capex, up from the $175 to $180 billion announced in January. Microsoft has stepped up capex to $190 billion from an implied $145 billion. This investment surge is flowing through to AI beneficiaries' earnings—particularly global semiconductors, semiconductor equipment and memory companies represented in the MSCI ACWI Index, the "picks and shovels" of the AI infrastructure buildout. At the same time, commodity-linked equities are increasingly participating in the global momentum trade, supported by rising resource demand. Crucially, supply remains constrained, as evident in a slowdown in manufacturing delivery times reported in the JPMorgan Global Manufacturing Purchasing Managers' Index (PMI), reinforcing a tight supply-demand backdrop.

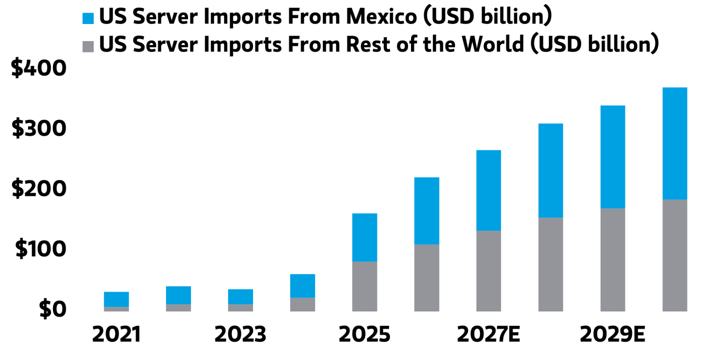
CHARTS YOU CAN'T MISS

Mexico: US imports of servers surged in 2025, as data center installed capacity expands …



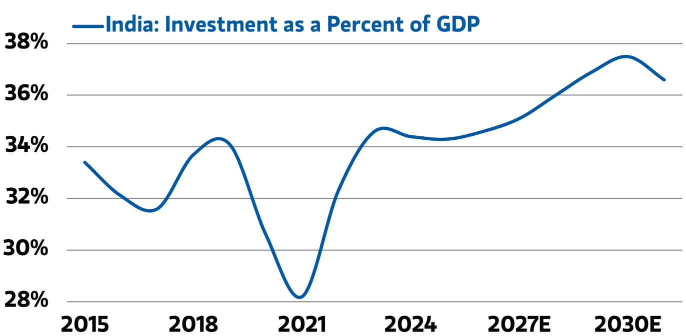
Note: Morgan Stanley & Co. Research estimates begin in 2026.
Source: Morgan Stanley Wealth Management GIO, MS & Co. Research as of April 30, 2026

… with the share from Mexico expected to match that from the rest of the world in coming years.



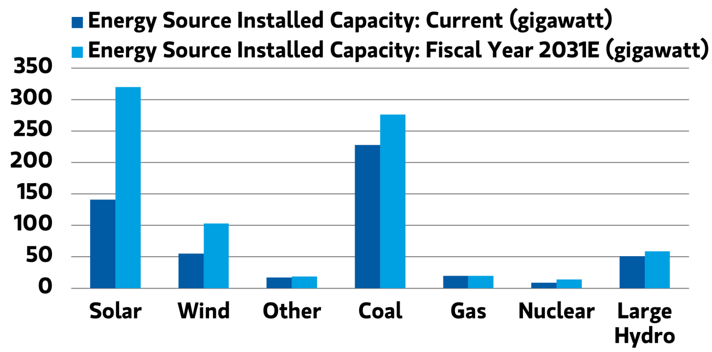
Note: Morgan Stanley & Co. Research estimates begin in 2026.
Source: Morgan Stanley Wealth Management GIO, MS & Co. Research as of April 30, 2026

India: We expect capital investment intensity to pick up in coming years …



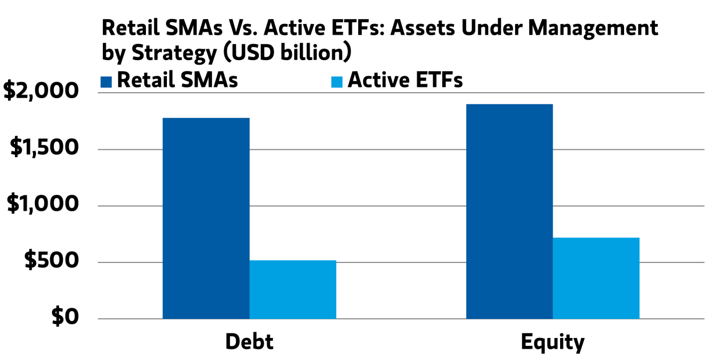
Note: Morgan Stanley & Co. Research estimates begin in 2026 and are displayed in fiscal-year terms.
Source: Morgan Stanley Wealth Management GIO, MS & Co. Research as of April 29, 2026

… with renewable energy, particularly solar, contributing more to energy independence.



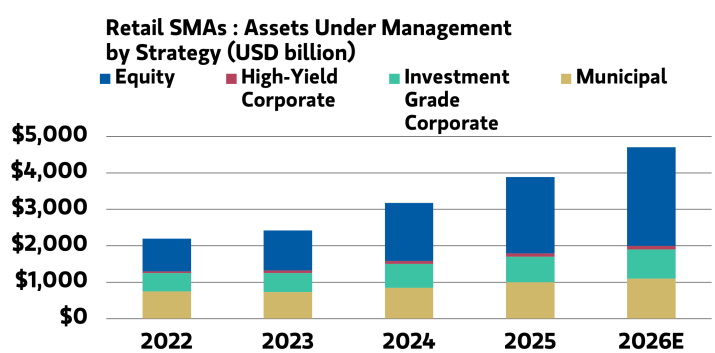
Source: Morgan Stanley Wealth Management GIO, MS & Co. Research as of April 29, 2026

SMAs: Assets in retail separately-managed accounts far exceed those in active ETFs …



Source: Morgan Stanley Wealth Management GIO, MS & Co. Research as of April 17, 2026

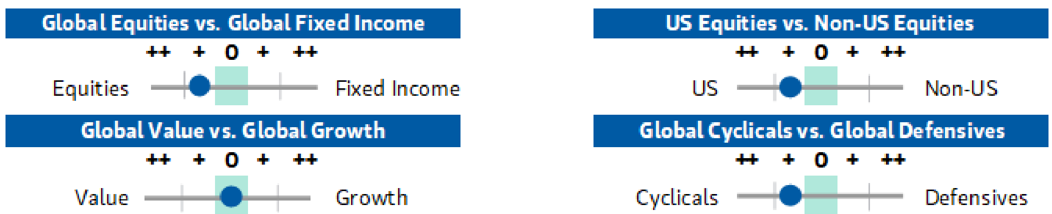
… and they are mainly concentrated in equity and municipal strategies.



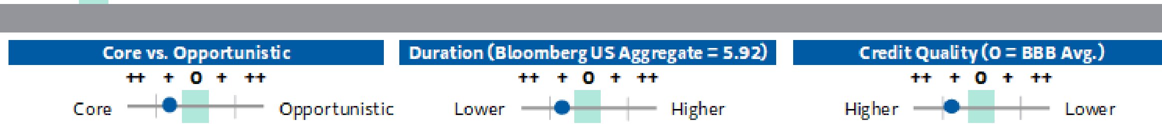
Source: Morgan Stanley Wealth Management GIO, MS & Co. Research as of April 17, 2026

GLOBAL PORTFOLIO STRATEGY

- US equities hold an edge over global peers, given stronger earnings growth and higher free-cash-flow margins. Japanese and emerging market equities represent attractive sources of diversification.
- Rising term premiums are helping to drive global yield curve steepening. The risk of tariff-sourced inflation could potentially weigh on bond markets despite a slowing but still resilient US job market.
- Gold remains an attractive hedge against fiscal largesse, geopolitics and US dollar debasement. Industrial metals like copper stand to benefit from the data center build-out despite persistent Chinese macro weakness.
- The US dollar will likely weaken in the first half of 2026 and recover in the second half, leaving it unchanged from the current level. The Japanese yen has runway to appreciate, given that Japan's deflationary period is likely ending. Meanwhile, the euro could see modest upside from any fiscally induced cyclical growth in Europe.



Asset	-- - 0 + ++	Rationale	- +
Equities			
US		We recommend quality cash-flow ideas in growth and value universes, and midcap growth stocks. 2026 profit forecasts suggest material acceleration in earnings growth. A potential rise in long-term interest rates, driven by debt and deficits, could be the biggest constraint. Rich valuations amid high policy uncertainty point to investor complacency.	
Europe		Underweighting European equities looks sensible, given declining domestic demand, tariff risks from the Trump administration and a weakening China. Should European and Chinese stimulus prove effective, a reinvigoration of global cyclical growth could benefit European equities.	**Ex-UK** **UK**
Japan		Japanese equities merit an overweight, given what we expect to be a multiyear revaluation, driven by stronger economic growth from fiscal expenditure that could boost pricing power, corporate efforts to increase return on investment and shareholder-friendlier policies. A strengthening yen from a low base would help boost US dollar-based returns.	
Emerging Asia		Indian equities are favored as monetary easing and a capital spending recovery lift multiples. Chinese equities merit a market weight, with efforts to stimulate likely stabilizing the economy but potentially insufficient to spur reflation. The US-China trade conflict is a wild card.	**China** **India**
Latin America		The region could benefit from higher commodity prices and a "new Monroe Doctrine," which could lead to pro-business outcomes and capex. Brazilian equities could benefit from an easing in real yields from restrictive levels. In Mexico, we expect nearshoring to remain an important growth driver.	**Brazil** **Mexico**
Currencies			
US Dollar		Morgan Stanley & Co. Research expects the US dollar to weaken in the first half of 2026 and rebound in the second half, leaving it unchanged from the current level. We believe the yen has runway to appreciate with the winding down of Japan's deflationary regime.	**Euro** **Yen**
Commodities			
Energy		Oil prices face downside pressure from a soft supply-demand balance, given continued growth in non-OPEC supply and OPEC production entering 2026 at an elevated level. Energy infrastructure and MLPs look attractive.	**Crude Oil**
Industrial Metals		Despite persistent weakness of China's macro conditions, secular demand from electrification and GenAI data center build-out could support prices of industrial metals like copper, amid supply shortages.	**Copper**
Precious Metals		Central bank buying and demand to protect against inflation should support gold, as should demand related to collateralization of digitized assets. We also like gold as a hedge against geopolitical risks and fiscal deficits.	**Gold**
Fixed Income			



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 May 4, 2026

MACRO

GLOBAL ECONOMIC GROWTH

MANUFACTURING PURCHASING MANAGER INDICES (PMI)

		May'25	Jun'25	Jul'25	Aug'25	Sep'25	Oct'25	Nov'25	Dec'25	Jan'26	Feb'26	Mar'26	Apr'26
DEVELOPED MARKETS	US	52.0	52.9	49.8	53.0	52.0	52.5	52.2	51.8	52.4	51.6	52.3	54.5
	Japan	49.4	50.1	49.0	49.7	48.5	48.2	48.7	50.0	51.5	53.0	51.6	55.1
	Canada	46.1	45.6	46.1	48.3	47.7	49.6	48.4	48.6	50.4	51.0	50.0	53.3
	UK	46.4	47.7	48.0	47.0	46.2	49.7	50.2	50.6	51.8	51.7	51.0	53.7
	France	49.8	48.1	48.2	50.4	48.2	48.8	47.8	50.7	51.2	50.1	50.0	52.8
	Germany	48.3	49.0	49.1	49.8	49.5	49.6	48.2	47.0	49.1	50.9	52.2	51.4
EMERGING MARKETS	China	48.3	50.4	49.5	50.5	51.2	50.6	49.9	50.1	50.3	52.1	50.8	52.2
	India	57.6	58.4	59.1	59.3	57.7	59.2	56.6	55.0	55.4	56.9	53.9	54.7
	Taiwan	48.6	47.2	46.2	47.4	46.8	47.7	48.8	50.9	51.7	55.2	53.3	55.3
	Korea	47.7	48.7	48.0	48.3	50.7	49.4	49.4	50.1	51.2	51.1	52.6	53.6
	Brazil	49.4	48.3	48.2	47.7	46.5	48.2	48.8	47.6	47.0	47.3	49.0	52.6
	Mexico	46.7	46.3	49.1	50.2	49.6	49.5	47.3	46.1	46.3	47.1	48.9	47.7

REAL GDP GROWTH (%)

	COUNTRY	QoQ	YoY
DEVELOPED MARKETS	US	2.0	2.7
	Japan	0.3	0.4
	Canada	-0.6	1.0
	UK	0.1	1.0
	France	0.0	1.1
	Germany	0.3	0.3
EMERGING MARKETS	China	1.3	5.0
	India	1.8	7.8
	Taiwan	8.2	13.7
	Korea	1.7	3.6
	Brazil	0.1	1.8
	Mexico	-0.8	0.1

Note: PMI readings above 50 indicate expansion; while readings below 50 suggest contraction.
Source: Morgan Stanley Wealth Management GIO, Bloomberg as of May 4, 2026

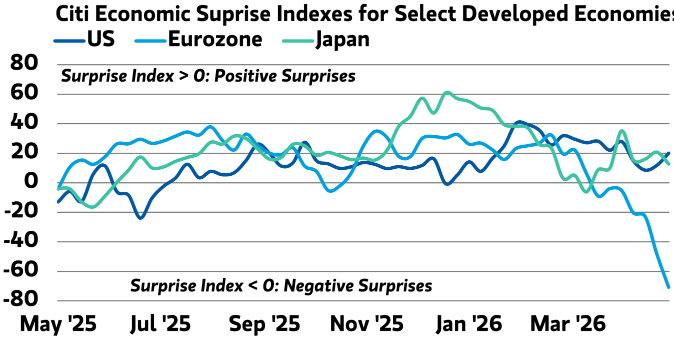
INFLATION, INTEREST RATES, UNEMPLOYMENT AND FX

		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	3.3	2.4	4.4	4.3	4.3	4.2				Holding
	Japan	1.5	3.4	2.5	1.3	2.7	2.5	JPY	157.22	8.6	Tightening
	Canada	2.4	2.3	3.6	3.2	6.7	6.8	CAD	1.36	-1.5	Tightening
	UK	3.3	2.6	5.0	4.5	4.9	4.4	GBP	0.74	1.7	Tightening
	France	2.2	0.8	3.8	3.2	7.7	7.1	EUR	0.86	3.2	Tightening
	Germany	2.9	2.1	3.1	2.5	6.4	6.3				Tightening
EMERGING MARKETS	China	1.0	-0.1	1.8	1.6	4.0	4.2	CNY	6.83	-6.5	Holding
	India	3.4	3.6	7.0	6.4	7.7	7.1	INR	95.09	11.4	Tightening
	Taiwan	1.2	2.3	1.5	1.6	3.4	3.4	TWD	31.62	4.8	Tightening
	Korea	2.2	2.1	3.9	2.6	2.7	2.8	KRW	1474	4.9	Tightening
	Brazil	4.1	5.5	14.1	14.1	6.1	7.0	BRL	4.96	-14.6	Holding
	Mexico	4.6	3.8	9.3	9.4	2.4	2.2	MXN	17.51	-12.4	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 May 4, 2026

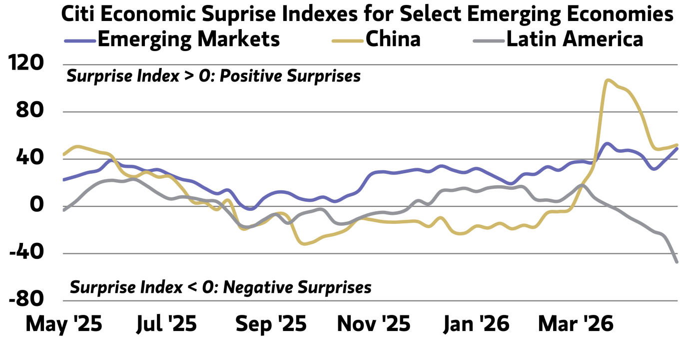
ECONOMIC SURPRISE INDEXES

Citi Economic Suprise Indexes for Select Developed Economies



Source: Morgan Stanley Wealth Management GIO, Bloomberg as of May 4, 2026

Citi Economic Suprise Indexes for Select Emerging Economies



Source: Morgan Stanley Wealth Management GIO, Bloomberg as of May 4, 2026

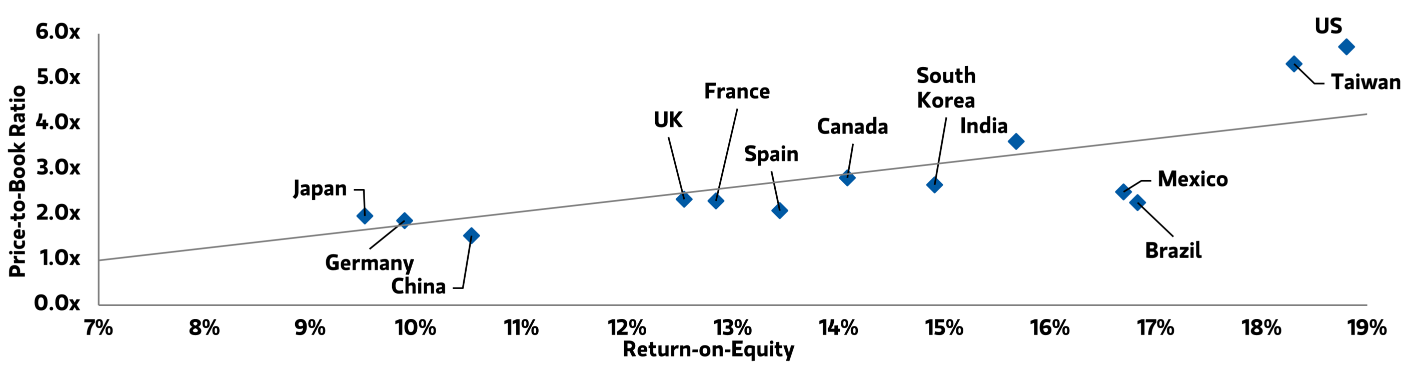
GLOBAL EQUITY MARKET FUNDAMENTALS

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	21.0	1.3	1.2	7.5	15.3	1.1
	Japan	17.4	1.1	1.0	14.0	8.6	2.9
	Canada	16.2	1.1	0.9	1.5	2.8	4.2
	UK	12.9	1.1	0.7	-5.2	-0.2	2.7
	Europe ex UK	15.6	1.1	0.9	2.4	6.7	1.9
EMERGING MARKETS	China	11.2	1.0	0.6	3.5	9.9	2.3
	India	20.6	1.2	1.2	17.0	26.2	-2.3
	Taiwan	21.1	1.5	1.2	10.3	23.8	7.7
	Korea	6.8	0.7	0.4	23.6	30.6	35.3
	Latin America	10.2	0.9	0.6	-11.2	-4.3	0.2

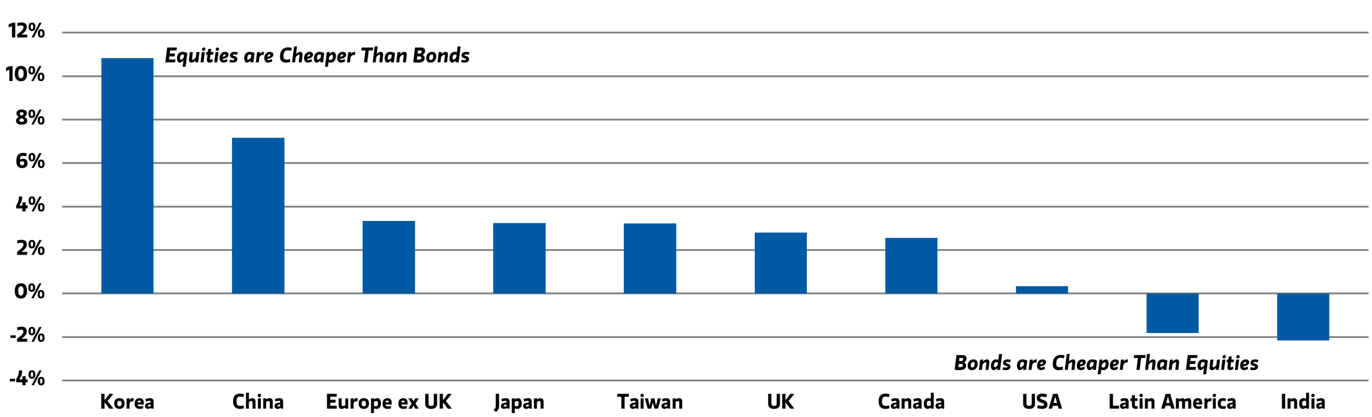
Note: History is based on MSCI data since 2006. Revisions are changes in consensus estimates over the prior month.
Source: Morgan Stanley Wealth Management GIO, Bloomberg as of April 3, 2026

GLOBAL PRICE-TO-BOOK RATIOS AND ROE



Note: Based on MSCI indexes.
Source: Morgan Stanley Wealth Management GIO, Bloomberg as of May 4, 2026

GLOBAL EQUITY RISK PREMIUMS

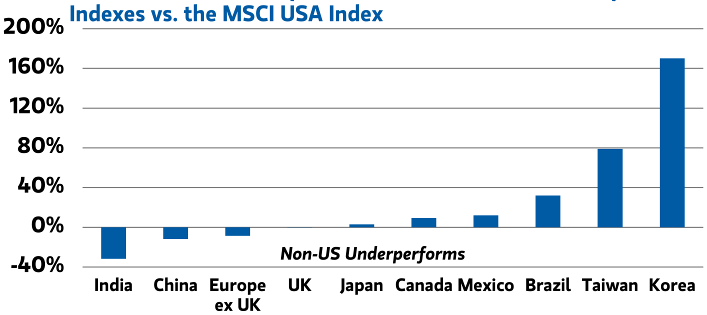


Note: Equity risk premium is the forward 12-month earnings yield less the 10-year govt. bond yield.
Source: Morgan Stanley Wealth Management GIO, Bloomberg as of May 4, 2026

ASSET CLASS PERFORMANCE

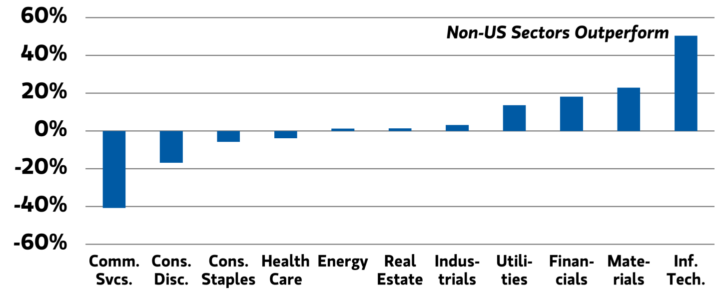
EQUITIES

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 May 4, 2026

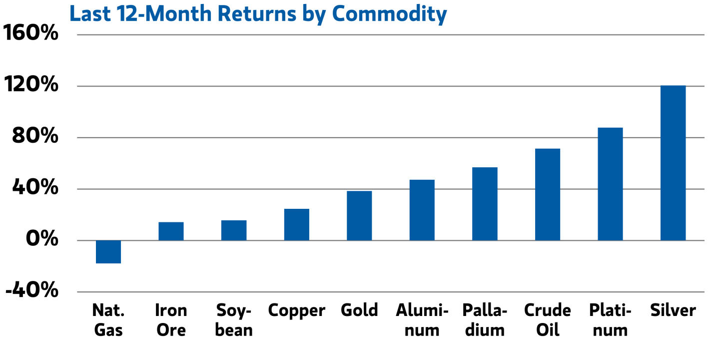
Last 12-Month Sector Relative Returns: MSCI ACWI ex USA Index vs. MSCI USA Index



Note: Total returns on a US dollar basis.
Source: Morgan Stanley Wealth Management GIO, Bloomberg as of May 4, 2026

COMMODITIES

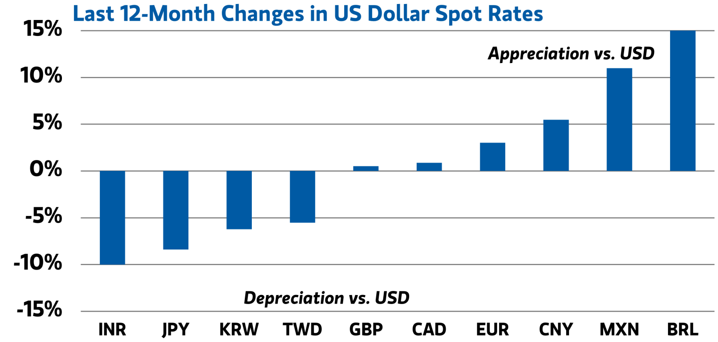
Last 12-Month Returns by Commodity



Note: US dollar returns.
Source: Morgan Stanley Wealth Management GIO, Bloomberg as of May 4, 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 May 4, 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	3.7	4.4	13		
	Japan	-14.7	2.5	125	-192	112
	Canada	1.8	3.6	44	-83	31
	UK	3.1	5.0	46	53	33
	France	3.0	3.8	51	-68	38
	Germany	1.8	3.1	55	-135	42
EMERGING MARKETS	China	-0.1	1.8	12	-269	-1
	India	2.4	7.0	67	258	54
	Taiwan	0.0	1.5	-8	-293	-21
	Korea	-9.7	3.9	134	-51	121
	Brazil	28.6	14.1	-1	962	-14
	Mexico	24.3	9.3	-15	484	-28

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 May 4, 2026

Please refer to important information, disclosures and qualifications at the end of this material.

Disclosure Section

Index Definitions

Bloomberg Global High Yield Corporate Total Return Index is a multi-currency flagship measure of the global high yield debt market. It represents the union of the US High Yield, the Pan-European High Yield, and Emerging Markets (EM) Hard Currency High Yield Indices.

Bloomberg Global Leveraged Loan Index measures the performance of the USD-, EUR- and GBP-denominated, high-yield, floating-rate, institutional leveraged loan markets. The index was created in 2025, with history backfilled to January1, 2019.

Bloomberg US Leveraged Loan Index measures the performance of USD denominated, high-yield, floating-rate, institutional leveraged loan market. The index was created in 2024, with history backfilled to January 1, 2019.

Bloomberg US Leveraged Loan Index: Technology specialized, rules-based sector index tracking the performance of USD-denominated, high-yield, floating-rate institutional loans specifically issued to technology companies. Launched in October 2024, this sector index is part of the broader Bloomberg US Leveraged Loan Index family, providing granular, daily BVAL-priced tracking of tech-sector corporate credit risk and performance.

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

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.

Dispersion is a measure for the statistical distribution of portfolio returns. It is the asset-weighted standard deviation of individual portfolio returns within a comparable composite from the composite return.

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

Price to 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.

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

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.

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

Please consider the investment objectives, risks, charges and expenses of the fund(s) carefully before investing. The prospectus contains this

and other information about the fund(s). To obtain a prospectus, contact your financial advisor. Please read the prospectus carefully before investing.

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.

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.

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

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.

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.

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.

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.

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.

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.

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.

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

Performance of indices may be more or less volatile than any investment product. The risk of loss in value of a specific investment (such as with an investment manager or in a fund) is not the same as the risk of loss in a broad market index. Therefore, the historical returns of an index will not be the same as the historical returns of a particular investment product.

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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.

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