Morgan Stanley

WEALTH MANAGEMENT

INVESTMENT STRATEGY

Global Investment Office | July 23, 2024

US Policy Pulse

2024 General Election Series

Monica Guerra
Investment Strategist
Monica.Guerra@morganstanley.com

Daniel Kohen
Associate
Daniel.Kohen@morganstanley.com

The 2024 general election series consists of monthly reports examining the relationship between financial markets, the economy and electoral outcomes. Please note that this series will be published in addition to our flagship *US Policy Pulse* reports.

New in This Edition

- President Biden dropped his 2024 campaign for president after weeks of powerful calls to step down. He has endorsed Vice President Harris, which is likely to curb Democratic infighting.
- We expect Harris' policies to remain broadly consistent with Biden's agenda but highlight that during the 2020 presidential primary she maintained some views that would be considered to the left of Biden's.
- Momentum behind former President Trump has grown following the June 27 debate, as a number of calculus-shifting events have unfolded, including but not exclusive to, the shocking attempt on Trump's life, the Republican National Convention and the announcement of JD Vance as Trump's vice presidential running mate.
- Harris has a slightly higher net favorability rating than Trump, but she trails in polling, as of July 19.
- Consumer sentiment declined for a fourth straight month in July; this election cycle, it remains below the election-year average, which historically indicates a Republican presidential victory. Sentiment among independents continued to fall and remains anchored to Republican sentiment.
- Our analysis of industries that may benefit from either a Democratic or Republican outcome indicates that the stock market remains well positioned for a GOP victory. That said, the introduction of Kamala Harris as the presumptive Democratic presidential nominee could create risks for stocks favored in a GOP-win scenario should polling swing in her favor.

The 2024 General Election

The 2024 election is less than four months away and will have significant investor implications. While presidential candidates set policy platforms, the makeup of Congress will play an important role in developing tax and trade policy, addressing debts and deficits, and navigating geopolitical unrest. We leverage financial market and economic data to guide investors and identify risks and opportunities as they develop. This report focuses on current performance, and we encourage investors to view our Feb. 8 *US Policy Pulse* reports, "[A History of General Election Performance, Part 1]" and "[A History of General Election Performance, Part 2]" for our historical election analysis.

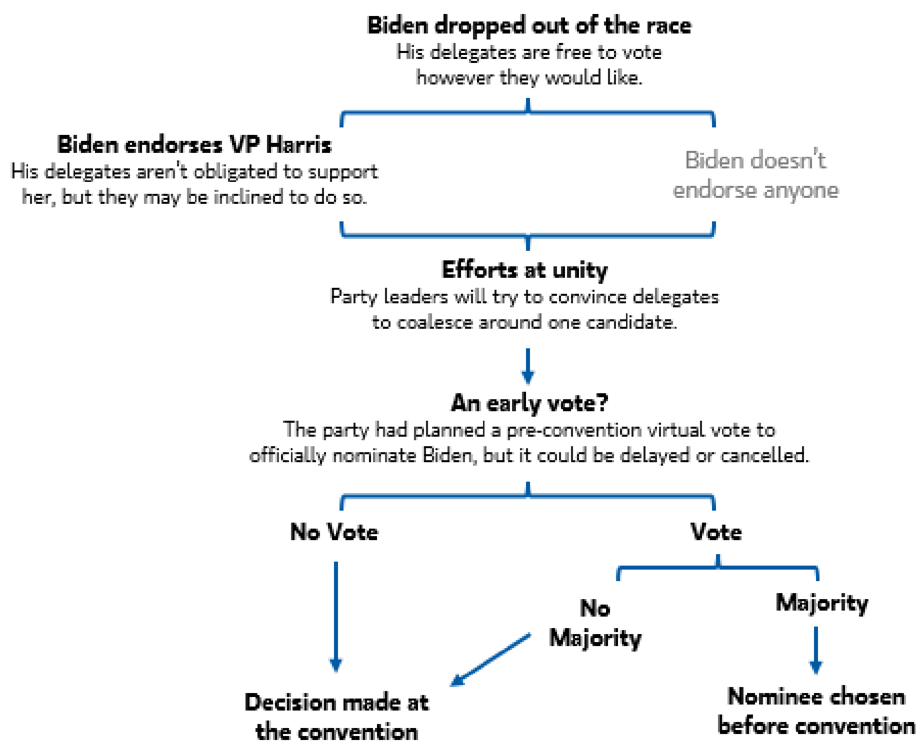
What's New in Policy: Democratic Nominee Harris?

Since our June *US Policy Pulse* publication, this election has once again proved its unique and unprecedented nature, pulling forward investor focus. We have long held that Biden faces notable re-election risks, the most existential being his ability to campaign and govern. However, Biden's underwhelming performance at the June 27 debate catalyzed Democratic leaders to call for him to drop out of the race. Biden announced this past weekend that he is no longer running and endorsed Harris for the 2024 presidential nomination.

Importantly, polling consensus shifted over the past month from a tight race between Biden and Trump to a Trump victory over Biden. Trump's momentum has grown significantly, due to a strong debate performance, followed by an attempt on his life that bolstered an image of resilience and defiance, and a post-Republican National Convention bump. However, as the spotlight shifts to Biden's endorsement of Vice President Harris and the Democratic National Convention on Aug. 19, election odds may shift as well.

While the Democratic Party is seeking to reorganize itself, we expect Harris to receive the Democratic presidential nomination. Importantly, she is co-registered with the Federal Election Commission (FEC) for funds raised during Biden's campaign, which include $91 million of cash on hand, according to FEC filings, making the transition to a Harris presidential campaign seamless in that respect. However, she may have to fight to secure some funds pledged to Biden through political action committee fundraising, should a formidable Democratic opponent decide to seek the nomination as well. That said, Harris is likely to spend the weeks leading up to the convention courting delegates and super delegates deemed to have greater potential to break with Biden's recommendation. While delegates are largely chosen for their loyalty to a given candidate, they may still consider an alternative for the nomination (see Exhibit 1). We do not expect a challenger to emerge, as some of the most viable candidates, including Governors Gretchen Whitmer, Gavin Newsom and others, have already endorsed Harris.

Exhibit 1: Democratic Party Path to Presidential Nomination



Source: The Washington Post, Morgan Stanley Wealth Management Global Investment Office as of July 21, 2024

If Harris secures the nomination, she will need to select a running mate who could not only enhance her appeal but also perform well against former President Trump's vice-presidential pick, Sen. JD Vance (R-OH), on the debate stage. Early contenders for Democratic vice president include Arizona Sen. Mark Kelly, Pennsylvania Governor Josh Shapiro and Kentucky Governor Andy Beshear. In 2020, Biden won Arizona and Pennsylvania by just 0.4% and 1.2%, respectively. Trump won Kentucky that year by over 26 percentage points.

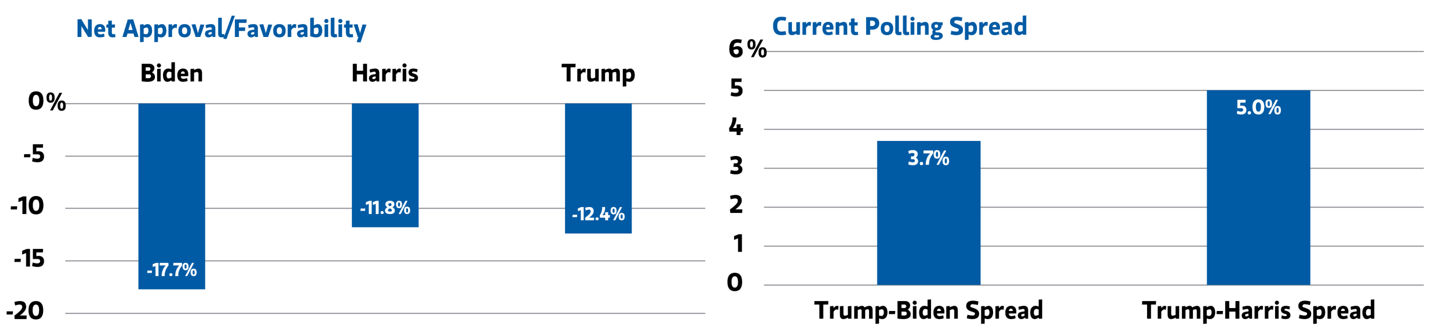
This signals a possible campaign strategy focused on securing swing-state voters. While Harris may seek to engage more moderate voters, her policies outlined during her brief 2020 Democratic primary bid for president followed an agenda that was further to the left than Biden's. That said, she may be more likely to support expansive social programs than Biden by seeking additional student loan forgiveness and reviving calls for Medicare for All. However, she will need to balance these priorities in the face of lingering concerns about inflation, the economy, and growing federal debts and deficits.

Presidential Polling Data

Until now, Trump has succeeded in casting the election as a referendum on Biden's term in office, but the shift to Harris may alter the narrative to a choice between Harris and Trump—a potentially more promising scenario for Harris. According to polls, Harris is viewed more favorably than Biden and slightly more favorably than Trump on a net basis (see Exhibit 2, left). However, based on national polling averages, Harris trails Trump by five points, which compares to Biden's 3.7-point deficit (see Exhibit 2, right).

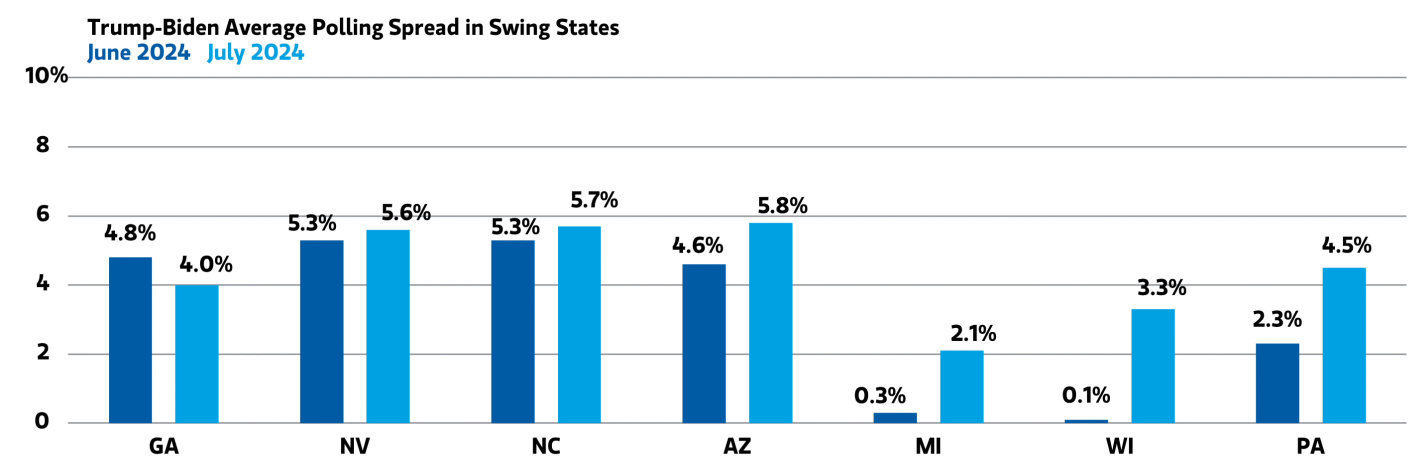
Last week, odds from election-prediction market PredictIt implied a 68% chance of a Trump victory over Biden, versus approximately 50% just a few weeks ago. When compared to a largely untested Harris, Trump's lead falls to 61%. In order to overcome these odds, Democrats may need to pivot to messaging around policy issues such as reproductive rights and the economy. This is especially important, as last week's Republican National Convention helped advance Trump's lead in six of the seven closest swing states (Exhibit 3).

Exhibit 2: VP Harris Has Slightly Higher Net Favorability Than Trump But Trails in Polls



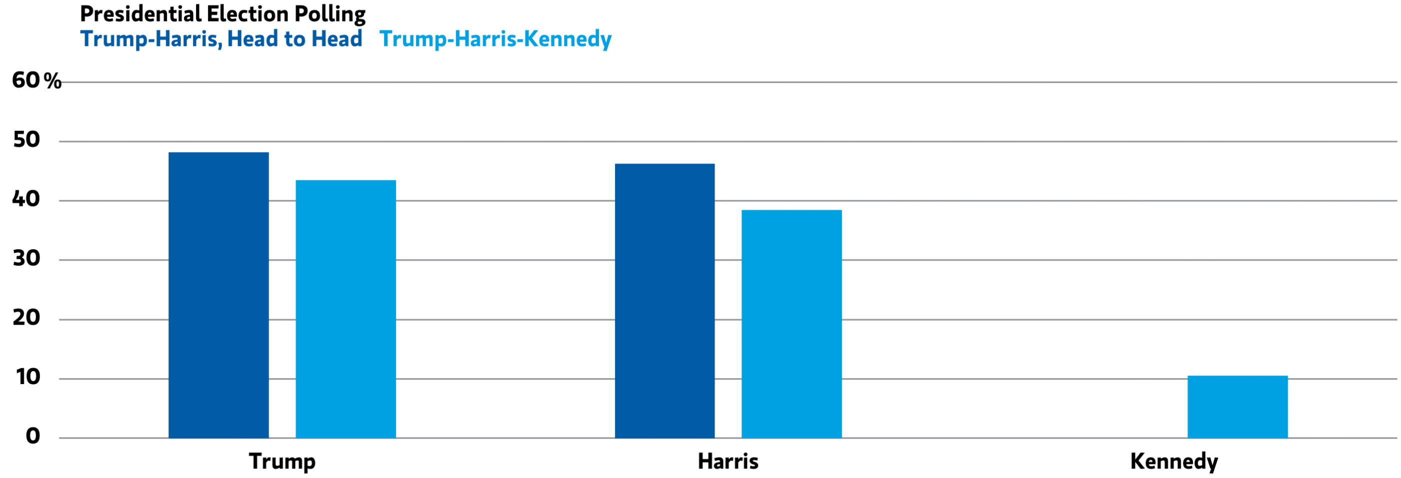
Note: Net approval indicates approval minus disapproval rating.
Source: 538, RealClearPolitics, Morgan Stanley Wealth Management Global Investment Office as of July 22, 2024

Exhibit 3: Trump Continues To Lead in Swing States



Source: 538, RealClearPolitics, Morgan Stanley Wealth Management Global Investment Office as of July 21, 2024

Exhibit 4: Third-Party Candidate Could Impact Major-Party Candidate Polling in the Near Term



Source: RealClearPolitics, Morgan Stanley Wealth Management Global Investment Office as of July 22, 2024

Polling for Trump, Harris and Robert F. Kennedy Jr. (RFK Jr.), the leading independent candidate, shows notable disparities as well. In head-to-head polling, Harris trails Trump by two points, but in three-way polling, with RFK included, Trump remains ahead of Harris by five points, indicating that more votes may be pulled away from her than from Trump. Kennedy polls at 10.5%, likely reflecting the impacts of the debate and subsequent events (see Exhibit 4). Though Kennedy is not on the ballot in every state, his recent increase in support likely indicates voter dissatisfaction and underscores the importance of both major-party attempts to secure the support of swing voters.

The House of Representatives

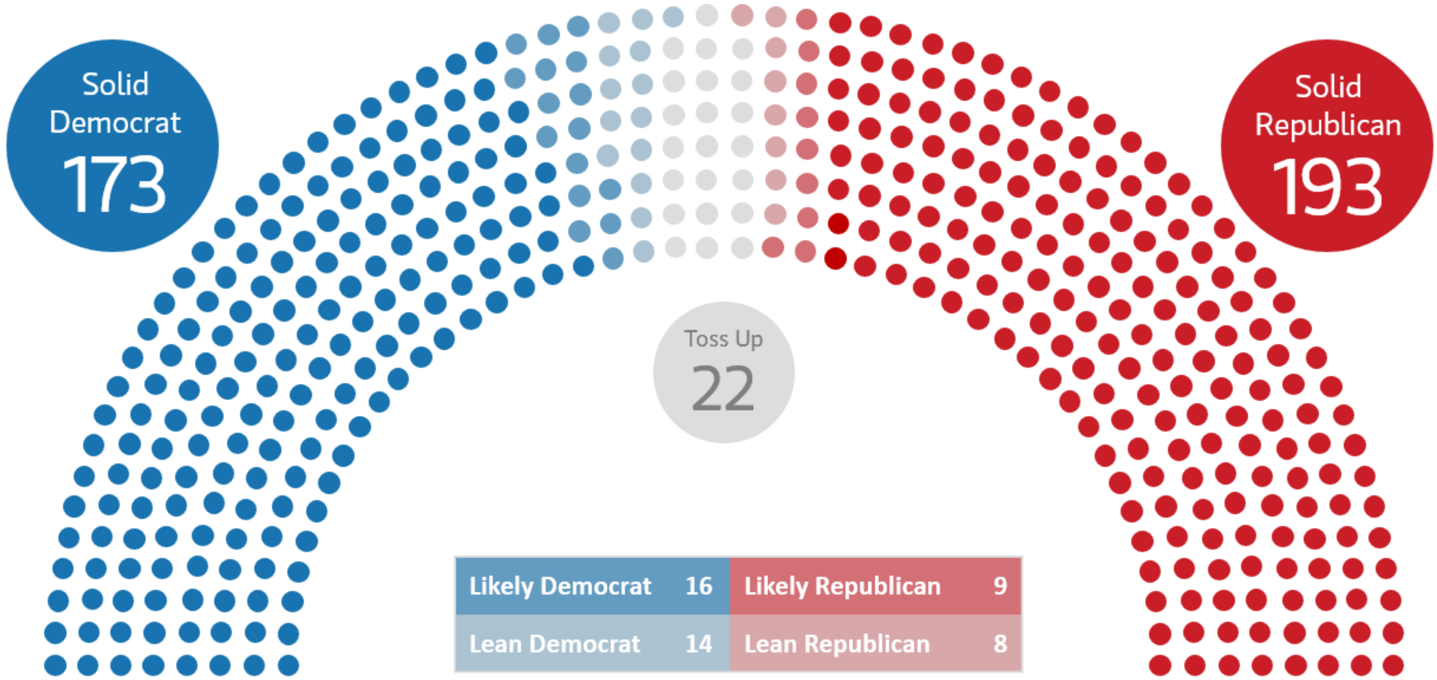
Republicans currently maintain a narrow 220-212 majority over Democrats in the House of Representatives, with one GOP and two Democratic vacancies, allowing for just a handful of Republicans to lose their seats before control would switch to the Democrats. The ultimate composition depends on several factors, including candidate electability, voting trend shifts due to redistricting and the combination of retirements and legislators seeking other public offices.

Though control of the House is largely seen as a toss-up and both parties see opportunity in certain races, growing momentum behind the Republicans in recent weeks may provide a surprising outcome. We note that the election is still months away, and momentum behind certain presidential candidates does not always translate to congruent down-ballot voting. The Cook Political Report (CPR) rates 173 seats as Solid Democrat (not considered competitive) and 30 as Likely Democrat or Lean Democrat. It rates 193 seats as Solid Republican and 17 as Likely Republican or Lean Republican (see Exhibit 5). CPR has also assigned its Toss Up rating (most competitive) to 22 races, indicating the potential for especially strong competition in the fight for House control.

The Senate

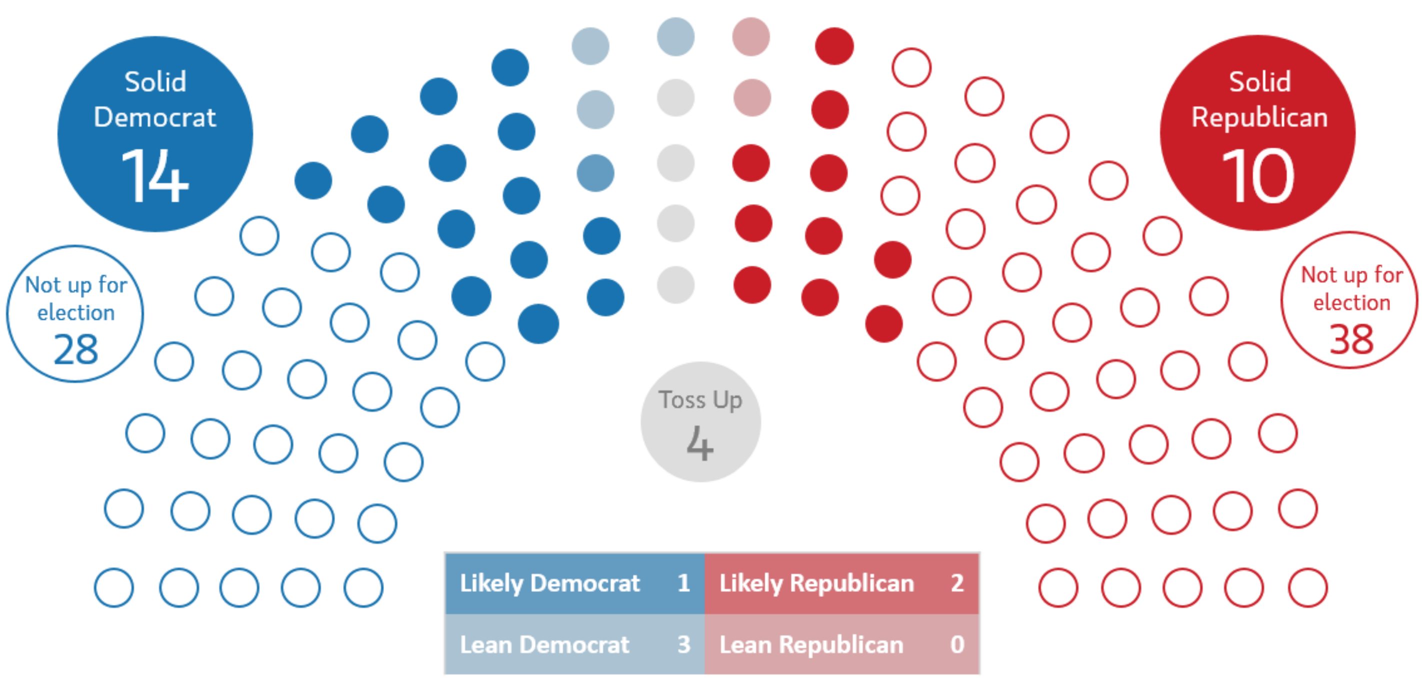
In the Senate, Republicans hold 49 seats, as Democrats and independents who caucus with them maintain a slim 51-49 majority. Unlike the House, where all seats are up for election every two years, Senate terms are six years, so only one-third of seats are up for election every two years. Of the seats up this year, CPR currently rates 14 Solid Democrat, 10 Solid Republican, four Likely Democrat or Lean Democrat and two Likely Republican or Lean Republican. Four seats are rated Toss Up (see Exhibit 6). We believe this breakdown puts the Democratic majority in the Senate at risk. As of now, the retirement of Sen. Joe Manchin (D-WV) opens a seat in a state where Trump won 69% of the vote in 2020. However, he recently filed as an independent—raising questions over whether he will run for senator or governor before the Aug. 1 filing deadline. The retirement of Sen. Kyrsten Sinema (I-AZ) opens another seat in a state that Biden won by a narrow 10,000 votes in 2020. Lastly, the retirement of Michigan Democratic Senator Debbie Stabenow sets up a potential flip in another swing state.

Exhibit 5: House Race Competitiveness



Source: Cook Political Report, Morgan Stanley Wealth Management Global Investment Office as of July 22, 2024

Exhibit 6: Senate Race Competitiveness



Source: Cook Political Report, Morgan Stanley Wealth Management Global Investment Office as of July 22, 2024

Macroeconomics, Markets and the Election

Macroeconomic Indicators

While not the only determinant, voter sentiment on the economy, namely in regard to GDP in the months before the election, is correlated with presidential outcomes. According to the Center for the Study of Democratic Institutions, a 5% increase in GDP results in a corresponding 6% gain in incumbent vote share. Slower annualized first quarter GDP of 1.3% has corresponded to a 1.4% drop in Biden's approval rating this year.

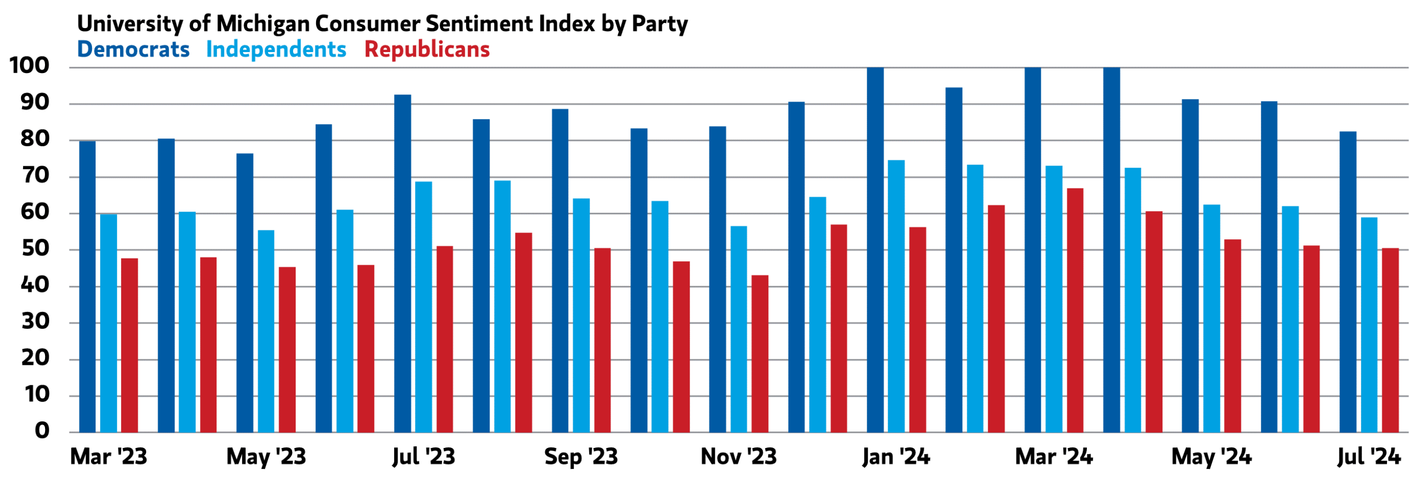
Beyond GDP, voters' perceived wealth is often connected to inflation, particularly price levels and the "economic pinch." For example, Morgan Stanley & Co. Research's latest AlphaWise survey shows inflation and the economy to be the top concern for 64% of consumers. Average gasoline prices are up more than 6.5% this year and almost 50% since Biden took office, which may weigh on Harris. Inflation is on a downtrend, with headline CPI at 3% and unemployment rising to 4.1%, driving market expectations for two to three Federal Reserve rate cuts in 2024, the first expected to occur in September. However, though financial conditions may loosen, interest rates will likely remain high compared to the past decade and continue to weigh on households. All told, Harris' election prospects hinge in large part on a patchwork of geopolitical, inflationary and economic outcomes, and the extent of any related drag on consumer confidence could influence various political outcomes.

The University of Michigan Consumer Sentiment Index, a proxy for consumer confidence, fell in July to an eight-month low of 66 on a preliminary reading, down from 68.2 in June. The index remains below its pre-pandemic level and its historical election-year average of 85.7, indicating the growing struggles that consumers are facing amid higher rates and election uncertainty. In fact, going back to 1978, consumer sentiment has only been this low in July of an election year twice, with one instance resulting in the unseating of the incumbent and the other in a party change in which there was no incumbent.

Analyzing consumer sentiment by political party, we unsurprisingly see higher readings among Democrats and lower readings among Republicans, which is historically consistent based on which party is in office, though sentiment is falling for all cohorts. Sentiment among Republicans hardly changed from June to July but fell by eight points and three points among Democrats and independents, respectively. Notably, consumer sentiment among independents has deteriorated for the sixth straight month and has moved even closer to that of Republicans than to Democrats, perhaps signifying the direction independents may lean on Election Day (see Exhibit 7).

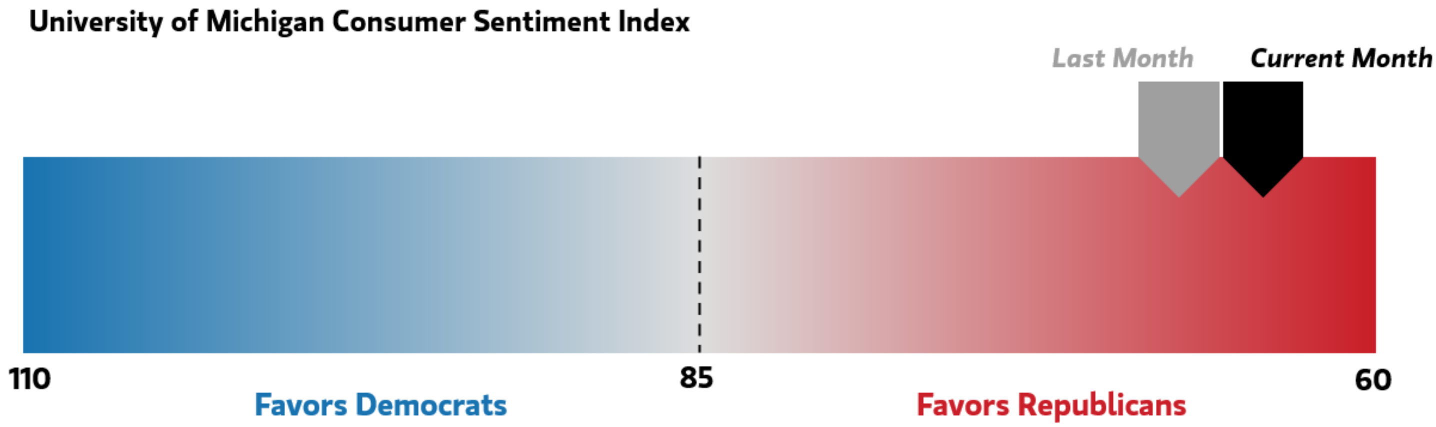
The University of Michigan index has a positive correlation with incumbent presidential results of 0.5. The index has averaged 92 when the incumbent party has won and 80 when the incumbent party has lost. While it continues to favor a Republican victory, we emphasize that it is just one of many possible leading indicators of election results, and we encourage investors to consider economic conditions holistically (see Exhibit 8).

Exhibit 7: Consumer Sentiment Among Independents Remains Closer to Republicans Than to Democrats



Note: Latest index reading is preliminary
Source: Bloomberg, Morgan Stanley Wealth Management Global Investment Office as of July 22, 2024

Exhibit 8: Consumer Sentiment Fell Modestly and Still Favors Republicans



Note: Latest index reading is preliminary
Source: Bloomberg, Morgan Stanley Wealth Management Global Investment Office as of July 22, 2024

Market Indicators

On average, the S&P 500 Index has risen in election years. As investors position their portfolios ahead of the election, our analysis indicates that equity markets tend to be strongest amid gridlocked outcomes (split control of Congress and the White House), given the restraint gridlock places on drastic policymaking. We note that the US dollar and US Treasuries tend to strengthen around elections, as investors seek safety amid political uncertainty. Market volatility also tends to rise, though 2024 may be even more volatile, given notable macroeconomic and geopolitical uncertainty, polarization and social media, and artificial intelligence (AI) influences.

Analyzing equity performance by sector, patterns emerge that may serve as opportunities, as political outcomes and policy platforms can impact an industry's regulation and profitability. For example, if investors anticipate a Republican win, Utilities, Energy, Financials and Industrials may track the strong performance of those sectors in election years when Republicans have won. Conversely, Information Technology and Consumer Discretionary performed favorably when a Democrat was the eventual winner (see Exhibit 9). We believe that investment opportunities in certain sectors and industries may arise as Election Day approaches.

When considering the US election's relationship with global markets, we also see investment risks and opportunities arising based on candidate performance. For example, Mexico is particularly sensitive to tariff and trade policy divergences between Trump and Biden, or Harris. A Trump presidency, which markets are beginning to price in, would likely result in tighter immigration restrictions, higher tariffs and strained trade relations with Mexico. As such, we find that the MSCI Mexico Index relative to the S&P 500 Index moved broadly in line with the odds of a Democratic victory. In other words, when Biden's or Harris' chances were improving, Mexico outperformed the S&P 500, and when Biden's or Harris' chances were falling, Mexico underperformed (see Exhibit 10). We see similar movements for India, which is seen as a beneficiary of higher tariffs on imports from China.

Prior to serving as vice president, then-Sen. Harris voted against the US-Canada-Mexico Agreement, Trump's replacement for NAFTA, on concerns that it did not go far enough to preserve the environment or US workers. We will continue to monitor this dynamic, as the Democratic presidential nomination process has yet to be finalized.

Exhibit 9: Sector Returns by Democrat and Republican Election-Year Results

Average Performance in Republican-Win Election Year

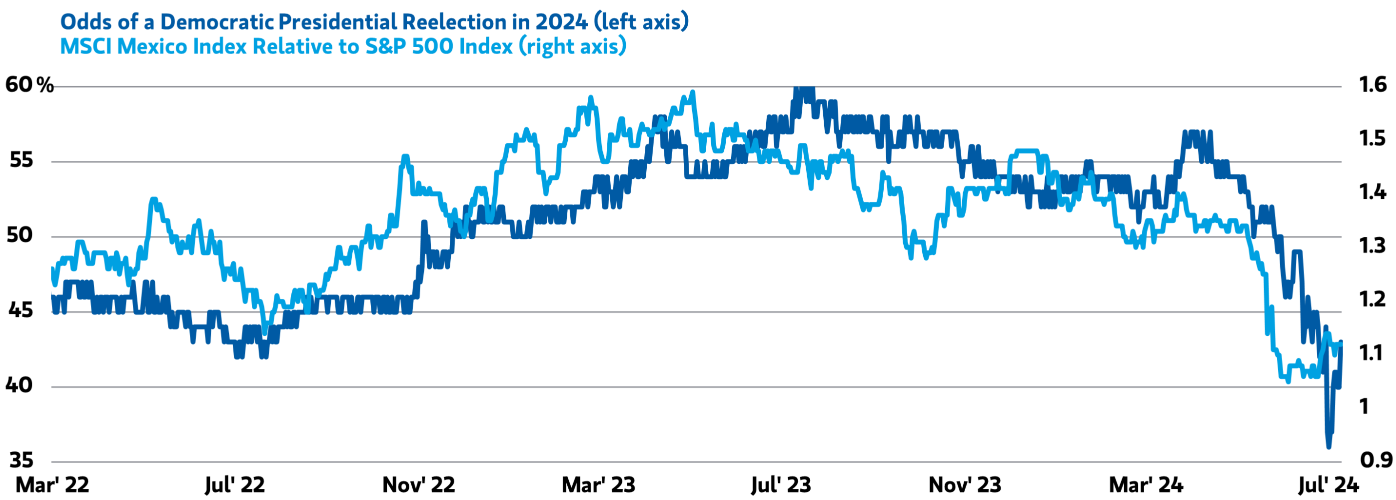
	Full Year	Q1	Q2	Q3	Q4	YTD
S&P 500	2.8%	1.4%	0.1%	-0.1%	1.3%	16.2%
Information Technology	-8.9%	4.4%	-3.3%	-3.8%	-6.4%	28.2%
Health Care	10.5%	-2.3%	10.4%	-1.9%	3.7%	7.8%
Energy	21.9%	3.2%	6.7%	6.7%	3.8%	11.8%
Consumer Discretionary	-1.4%	-0.6%	-3.5%	-1.4%	3.5%	7.5%
Consumer Staples	7.7%	-2.5%	5.7%	-2.5%	8.5%	10.1%
Communication Services	-2.0%	5.8%	-3.4%	-4.1%	-2.8%	22.9%
Utilities	27.8%	8.3%	2.8%	10.3%	4.5%	10.5%
Real Estate	10.9%	5.6%	-0.4%	0.9%	4.8%	1.2%
Materials	2.4%	-4.0%	-3.4%	-0.7%	11.2%	6.1%
Financials	17.3%	0.2%	-1.6%	9.0%	9.8%	14.9%
Industrials	12.2%	0.5%	2.5%	3.9%	5.1%	10.2%

Average Performance in Democratic-Win Election Year

	Full Year	Q1	Q2	Q3	Q4	YTD
S&P 500	3.2%	-3.3%	3.7%	2.0%	0.0%	16.2%
Information Technology	11.1%	0.7%	6.5%	2.4%	-1.0%	28.2%
Health Care	0.6%	-5.3%	2.2%	2.8%	0.3%	7.8%
Energy	-10.3%	-12.1%	10.6%	-5.8%	1.0%	11.8%
Consumer Discretionary	9.4%	0.5%	5.0%	4.2%	-0.7%	7.5%
Consumer Staples	4.7%	-2.6%	2.4%	5.3%	-0.4%	10.1%
Communication Services	2.0%	-8.7%	7.2%	-0.8%	4.4%	22.9%
Utilities	-7.4%	-7.9%	4.5%	-3.0%	-0.9%	10.5%
Real Estate	-11.3%	-2.9%	3.1%	0.8%	-12.0%	1.2%
Materials	0.8%	-0.4%	4.1%	-1.1%	-1.7%	6.1%
Financials	6.1%	-3.6%	-1.9%	3.8%	3.3%	14.9%
Industrials	1.9%	-2.8%	0.7%	2.3%	1.3%	10.2%

Note: Percents indicate sector performance for each election-year quarter or other period, ending on Dec. 31 of that election year.
Source: Bloomberg, Morgan Stanley Wealth Management Global Investment Office as of July 18, 2024

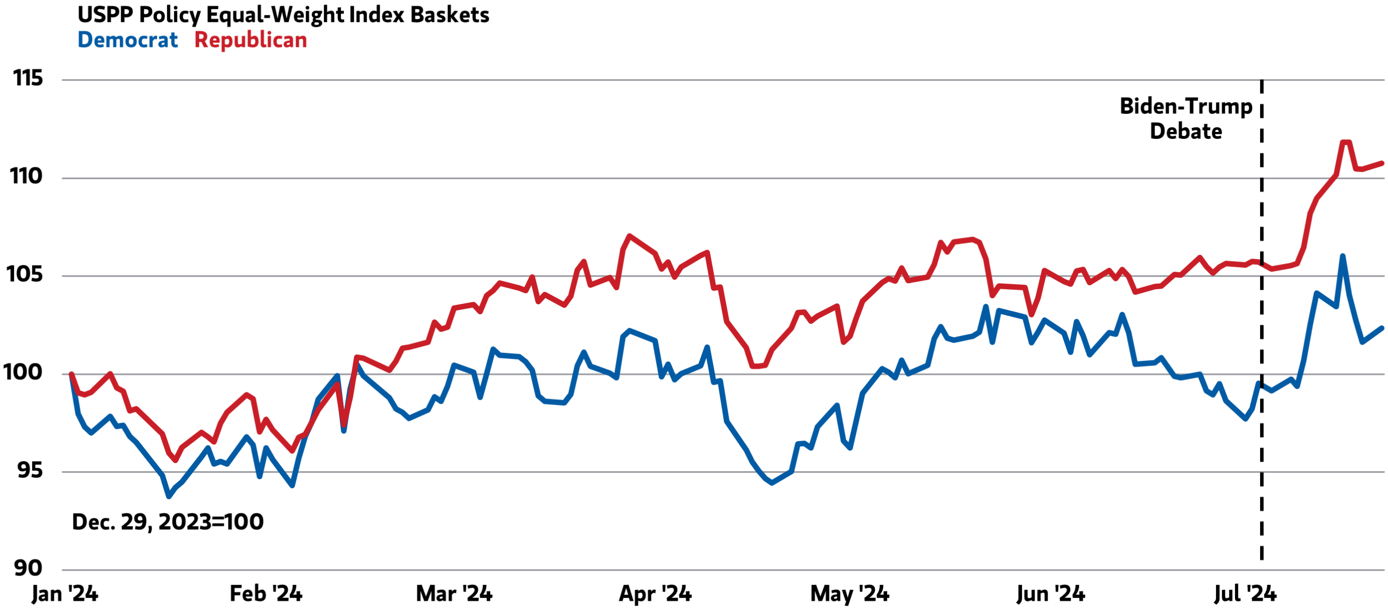
Exhibit 10: Mexico Remains Sensitive to a Trump Victory



Source: Bloomberg, PredictIt.org, Morgan Stanley Wealth Management Global Investment Office as of July 22, 2024

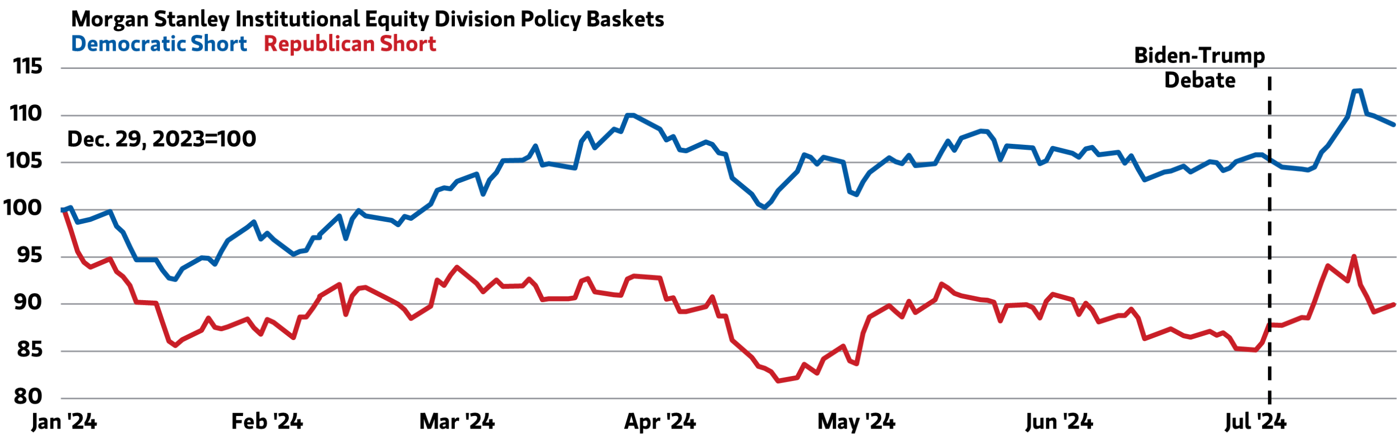
We developed two political party equal-weight baskets, each tracking 12 sector and industry exchange-traded funds (ETFs) positioned to benefit from either a Democratic or Republican victory. For example, sectors and industries that we expect to benefit from Democratic policymaking are clean energy, including electric vehicles (EVs) and solar; managed care; infrastructure; defense; and technology, including cybersecurity and semiconductors. Areas that we consider likely to benefit most from a Republican win are traditional energy, master limited partnerships, utilities, materials, real estate, block-chain technology, banks, pharma and biotechnology. The Republican basket has outperformed the Democratic basket by 9% this year, up from 3.5% last month, as growing momentum from recent events has led investors to position for a Republican win (see Exhibit 11). Importantly, the introduction of Kamala Harris as a presumptive Democratic nominee may create risks for stocks favored in the event of a GOP win should polling swing in her favor.

Exhibit 11: Republican Equal-Weight Basket Has Extended Its Outperformance of the Democratic Basket



Source: Bloomberg, Morgan Stanley Wealth Management Global Investment Office as of July 22, 2024

Exhibit 12: Investors May Be Avoiding Stocks Vulnerable to a Trump Presidency



Source: Bloomberg, Morgan Stanley Institutional Equity Division, Morgan Stanley Wealth Management Global Investment Office as of July 22, 2024

Analyzing election-related market performance from a different angle, we considered two baskets of stocks from Morgan Stanley's Institutional Equity Division: a Democratic short basket, which contains stocks that may be disadvantaged if a Democrat wins the White House, and a Republican short basket, which contains stocks that may perform poorly if a Republican wins (see Exhibit 12). The Republican short basket, down more than 20% this year, has continued to underperform, indicating that investors are already hedging against a Trump victory by selling stocks they anticipate would be negatively affected. In other words, the market may be bracing for changes to the status quo, mostly impacting companies with exposure to higher tariffs, lower regulations, weaker support for EVs and repeal of parts of the Inflation Reduction Act.

Investment Conclusion

A unique and highly consequential election is just months away. President Biden ended his 2024 campaign after weeks of powerful calls to step down, endorsing Vice President Harris, which is likely to curb Democratic infighting. Meanwhile, momentum has shifted toward Trump and the Republicans on the heels of Biden's underwhelming debate performance, the attempt on Trump's life, which has enhanced his image, the Republican National Convention and Trump's selection of VP candidate JD Vance. While Harris is viewed more favorably than Trump on a net basis, Trump leads Harris in national average polling by a wider margin than he leads Biden. That said, Harris as the presumptive Democratic nominee creates risks for the stocks favored in a GOP-win scenario, which have benefited from Trump's momentum in recent weeks. We reiterate, however, that the election is still more than three months away, and many more twists and turns are possible.

Consumer sentiment data has deteriorated for the fourth straight month and remains below election-year averages, while sentiment among independents has fallen for the sixth straight month, anchoring even closer to Republican sentiment than Democratic. This continues to suggest a Republican victory. Analyzing market returns in election years, we find that opportunities may emerge in energy, utilities, financials and industrials if investors anticipate a Republican win, and in information technology and consumer discretionary if investors expect a Democratic win. Finally, when assessing performance of the USPP Policy Equal-Weight Index Baskets and the Morgan Stanley Institutional Equity Division Policy Baskets, we see the stock market strongly positioning for a GOP win.

Disclosure Section

Index Definitions

For index, indicator and survey definitions referenced in this report please visit the following:

https://www.morganstanley.com/wealth-investmentsolutions/wmir-definitions

Glossary

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.

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 i**nvolves 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.

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.

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.

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

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

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.

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.

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.

Virtual Currency Products (Cryptocurrencies)

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

- Digital Assets have only been in existence for a short period of time and historical trading prices for Digital Assets have been highly volatile. The price of Digital Assets could decline rapidly, and investors could lose their entire investment.
- Given the volatility in the price of Digital Assets, the net asset value of a fund or product that invests in such assets at the time an investor's subscription for interests in the fund or product is accepted may be significantly below or above the net asset value of the product or fund at the time the investor submitted subscription materials.
- Although any Digital Asset product and its service providers have in place significant safeguards against loss, theft, destruction and inaccessibility, there is nonetheless a risk that some or all of a product's Digital Asset could be permanently lost, stolen, destroyed or inaccessible by virtue of, among other things, the loss or theft of the "private keys" necessary to access a product's Digital Asset.
- Investors in funds or products investing or transacting in Digital Assets may not benefit to the same extent (or at all) from "airdrops" with respect to, or "forks" in, a Digital Asset's blockchain, compared to investors who hold Digital Assets directly instead of through a fund or product. Additionally, a "fork" in the Digital Asset blockchain could materially decrease the price of such Digital Asset.
- Digital Assets are not legal tender, and are not backed by any government, corporation or other identified body, other than with respect to certain digital currencies that certain governments are or may be developing now or in the future. No law requires companies or individuals to accept digital currency as a form of payment (except, potentially, with respect to digital currencies developed by certain governments where such acceptance may be mandated). Instead, other than as described in the preceding sentences, Digital Asset products' use is limited to businesses and individuals that are willing to accept them. If no one were to accept digital currencies, virtual currency products would very likely become worthless.
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RSI1721689803893 07/2024