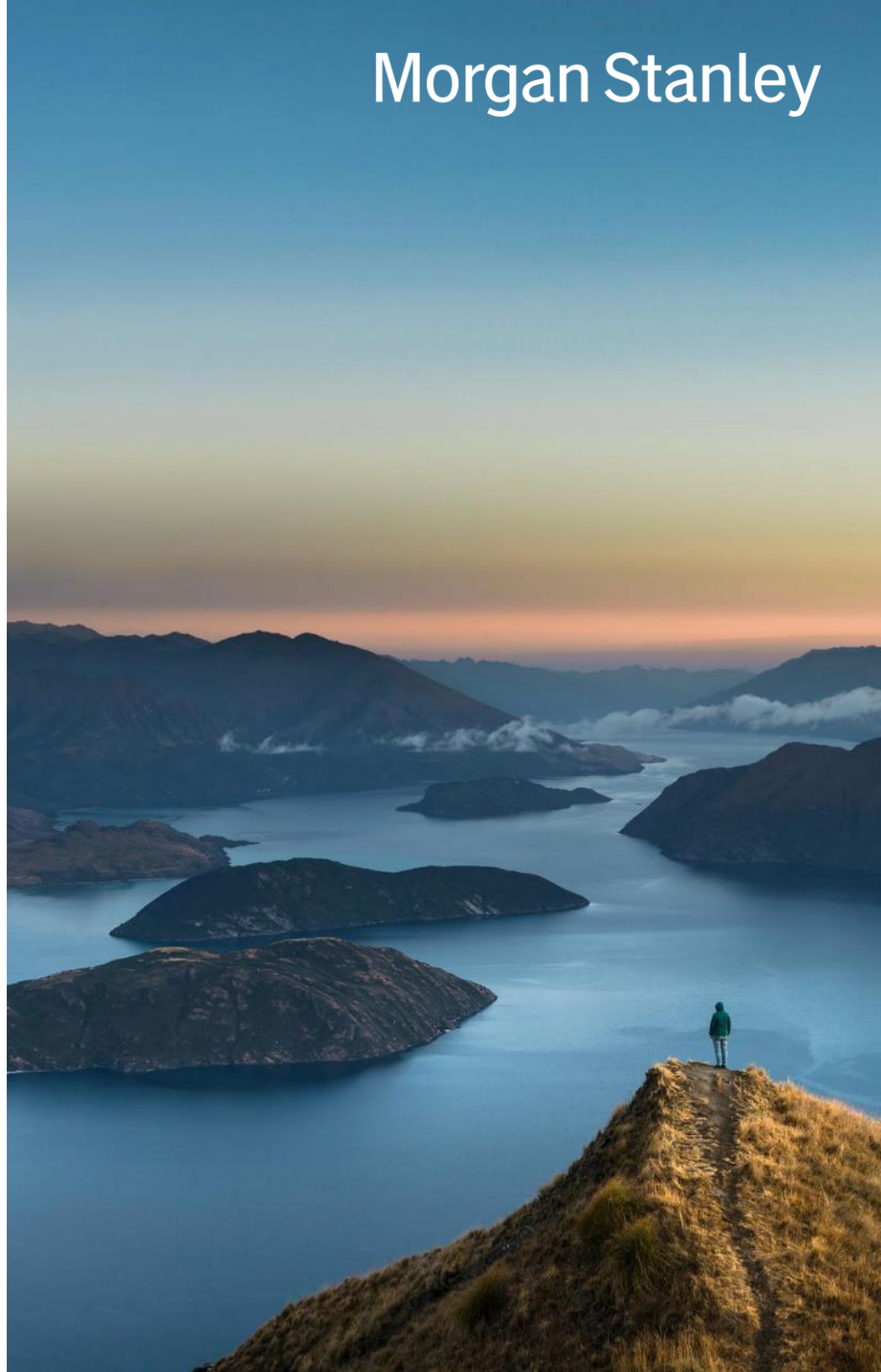


GIC Insights

Monthly Perspectives – April 2026



Where We Are: Flagging Stagflation Risk

April 2026

Q1 marked the end of the worst performance quarter for the S&P 500 since the 2022 bear market, with stocks breaking out of their trading range, declining **-4.6%**. Persistence of the Iran War into its sixth week, with the Strait of Hormuz still snarling ~20% of globally traded oil, kept spot prices above \$110/bbl on WTI crude oil, while one-year inflation swaps have soared 75bps to 3.25%, and odds of a Fed rate cut by December 2026 have fallen to zero. **The result has been a market that has shifted from a sector rotation (AI capex, software disruption and private credit concerns) and idiosyncratic headwinds to macro ones, with the risk to future growth estimates growing by the day as supply shocks tend to be stagflationary in the intermediate term. That said, with the average stock down more than 20%, there are good stock-picking opportunities.**

- YTD, the S&P 500 is **-3.8%** and **5.7%** off all time highs; meanwhile, the NASDAQ is down **-5.8%**. The Mag-7 are widely dispersed; the cap-weighted cohort is down **-13.3%** from last October's high; the software sector is down **-32%** over the last six months; Financials are down **-12.1%**; and Energy is outperforming, up 33% YTD.
- Since March 1, **key dynamics that have persisted for the past five months: Small > large, equal weight > cap weight, cyclicals > defensives, RoW > US; gold > stocks reversed.**
- **After outperforming the US materially for the past 15 months, non-US and EM equities performance dispersed along the lines of energy exporters and importers** with US and LatAm faring better than Europe, India, SE Asia, and the GCC. Brazil, Mexico, and South Korea are leading regional markets YTD.
- **While markets have decisively broken technical supports through 50-/100-/200-day moving averages (DMAs), total drawdown in the S&P 500 has not hit -10% correction territory nor discounted the possibility of a recession**, where odds of occurrence in the next 12-18 months is up to 30%.
- We acknowledge that with earnings revisions remaining positive, price/forward earnings ratios have contracted by more than 15% from peak. While this is atypical, **we caution that earnings revisions have been extremely concentrated in tech, semis, and energy, and do not seem to reflect the coming cuts in GDP forecasts.**
- Critically, cross-asset correlations have shifted materially with **stock/bond and stocks/oil correlations strongly negative; DXY/oil correlations strongly positive.**
- Financial conditions have tightened materially; two-year UST yields up ~50bps to 3.85% and are priced through Fed Funds; 10-year yields up ~40bps to 4.35%; 30-year mortgage at 6.52%

Supply shocks operate on inflation/growth differently than demand shocks as tariffs demonstrated; demand destruction is likely; inflation slowly grinding and sticky.

- While the US is energy independent and a fossil fuel exporter; impacts to oil linked commodities are pervasive with implications for fertilizers, plastics, food processing, and semiconductor manufacturing (helium).

2026 could ultimately deliver roughly 10% upside for the S&P 500 based on the embedded strength of earnings, but the GIC is NOT as bullish as MS & Co.

- Earnings expectations are already robust, up 15-17%, and embed significant productivity gains and operating margin expansion; this takes operating leverage to new all-time highs. Most of the gains come from the beleaguered "S&P 493" and adoption of AI. **We think the deployment cycle will take years, NOT months.**
- **US economy has surprised on the upside versus Q1 expectations and bull case resilience is still at the foundation.**
- We think stimulus impact of OBBBA on the consumer is overestimated versus overall sentiment; secular headwinds from credit build-up and residual "affordability."
- We think "fiscal dominance" will characterize the backdrop and that a weaker dollar, higher inflation, and a steeper yield curve, including a rise in long rates, are risks; interest rate sensitivity of the economy has changed; stealth QE and Fed balance sheet expansion are forms of easing.
- The implication is the need for diversification beyond the 60/40; equity valuation multiples stall out, and long rates face rising inflation and term premiums.
- The new Monroe Doctrine, other geo-politics (World Cup, China trade talks, USMCA negotiations, 250th anniversary of American independence, and midterm elections) sustain market volatility.

Our watch words for 2026 portfolio construction and asset allocation are diversification, active risk management, preference for high quality balance sheets and pricing power, and maximum selectivity and stock picking.

Source: Morgan Stanley Wealth Management Global Investment Office (GIO). 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. Past performance is no guarantee of future results. Estimates of future performance are based on assumptions that may not be realized. This material is not a solicitation of any offer to buy or sell any security or other financial instrument or to participate in any trading strategy. Please refer to important information, disclosures and qualifications at the end of this material.

What We Forecast: A Mid-Cycle Expansion

April 2026

2026E US GDP Growth		2026E US Inflation		Federal Funds Rate		Two-Year/10-Year US Treasury Yield	
Real	2.2%	3.1%		3.0%-3.25%		2.60%/4.05% <i>2s10s slope to 145 bp</i>	
Nominal	5.4%						
2026E Rest of World		2026E US Dollar		2026E/2027E S&P 500 Earnings		Price/Earnings Multiples	
GDP	3.2%	1H	-6%	MS & Co.	\$317/\$356	Current	19.6x
		2H	+5%	Consensus	\$321/\$373	Forecast	22x
Inflation	2.5%	<i>US Dollar Index (DXY) @ 99</i>		<i>MS & Co. 2026 Growth: 17%</i> <i>Consensus: 17%</i>		Fair Value	17.8x

S&P 500 trades toward 7,500-7,800 MS & Co. base case annual target price.

Source: Morgan Stanley Wealth Management GIO. Estimates are Morgan Stanley Wealth Management Global Investment Committee unless noted otherwise.

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Current Key Controversies

April 2026

1. War in Iran

- Oil price shock impact directly proportional to war duration
- Impact much more profound for Oil importers (China, India, EM); positive for LatAm; Canada
- US is energy independent; issue is pass-through inflation; recession odds up to 30%;
- US Treasuries non-diversifying (debts/deficits);
- Major global inflection in multipolar dynamics; implications for trade, Taiwan

2. AI Bubble?

- Spending is accelerating even further and FCF growth of Mag-7 has gone negative; Markets starting to price unsustainability and **peak GPUs**
- Ecosystem is increasingly using debt and interconnected vendor financing
- GPUs versus TPUs/ASICs fight emerging
- LLMs business models still have vague monetization models
- Quality of earnings and depreciation schedules
- IPO “capacity” is a crowding factor

3. Sector Rotation and Extreme Dispersion

- Hedge fund and active manager paradise; widest stock level dispersion in 30 years
- Oversold: parts of software, financials, tech, health care
- Overbought: small caps, consumer staples,

4. Credit Cockroaches?

- Private credit is the epicenter of SMID SaaS stress, defaults plus “liquidity management exercises” are approaching 5%; **peak could be 8%**
- Issue is **NOT** cash flow and defaults today; it is Loan to Value in Refi tomorrow
- Fed easing may not be enough as floating rate borrowing costs are well above large cap competitors and business models pre-GenAI may be zombies

5. The Consumer and K-Shaped Economy?

- Low-end consumer is pressured by sub 2% real income growth
- Savings rate is sub-par 3.5%; tax refunds to go to debt pay down and catch up on rising delinquencies in credit cards, student loans, auto, and mortgage
- Wealth effects may be swamping income effects, obscuring the true read of breadth of economic health

Source: Morgan Stanley Wealth Management GIO

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6. AI and Corporate Margins: A Productivity Renaissance?

- Promises are big, but adoption is STILL only 15-20%; basic not agentic
- Margin improvements concentrated among tech companies themselves
- Scale and size are overwhelming drivers, leaving the “493” and small-mid behind

7. Manufacturing Boom?

- Capex spending beyond AI still modest; 2025 saw **-105,000** manufacturing jobs
- Last three months seeing stabilization;
- But durable goods orders, capital goods shipments, and IP are strengthening
- Manufacturing ISM expanded (>50 reading) three months in a row

8. Inflation Tamed?

- **Oil shock will likely add 60-70bps to 2026 headline CPI; 10-20bps to core**
- Readings are sticky and tariff risks remain as middle market corporate margins have absorbed price changes
- Post IEEPA; refunds, compliance 15% 150 Day
- 2026 brings renegotiation of USMCA: end of China Truce; India?

9. Fed Independence and Fiscal Dominance Remains Post Oil Shock

- **ZERO CUTS currently priced**
- War introduces risk to inflation and deficit spending
- Warsh becoming the new Fed Chair in May may mean new policy framework
- We see a steeper curve and pressure on long duration multiples in the long run
- Fed focus shifts from cutting rates to a shift in balance sheet strategy; front-end Treasury bill issuance and duration shortening of the balance sheet

10. ROW Catch-Up Trade

- War disrupts ROW trade especially for Europe, Asia; LatAm most insulated
- Multi-Polar themes and Monroe Doctrine gamechangers
- **Cease fire in Iran may mean historic “loss” for America with new alliances and asymmetry of war a reality**
- Valuation catalyst and fundamental acceleration still possible

GIC Portfolio Positioning

April 2026

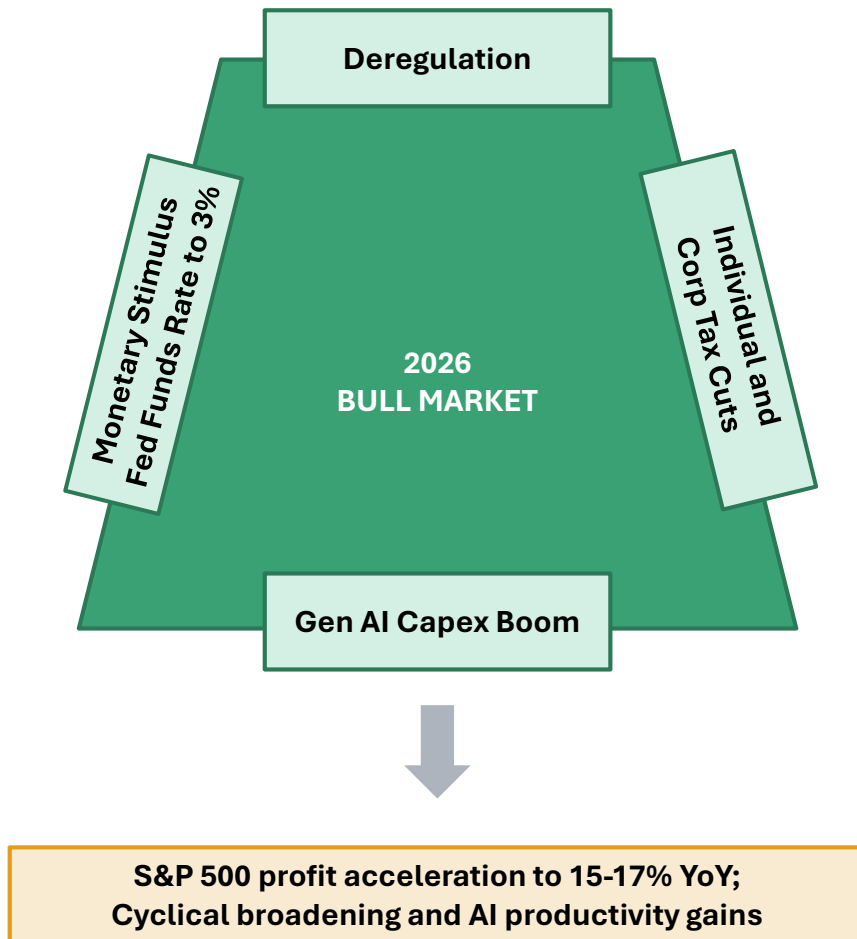
- **The GIC recommends exploiting extreme dispersion to focus on large-cap quality equities and non-US exposure that will best weather policy uncertainty, volatility, slowing, but non-recessionary growth, and sticky inflation in 2026.**
 - Magnificent Seven relative valuations have materially improved.
 - Market action suggests quality is cheap.
 - Quality cash flows will matter in a re-leveraging cycle; we are style-neutral.
 - Large-cap over small-cap; indices deconcentrate.
- **2026 is a mid-late cycle year where stock selection favors returns to bigger, capex-exposed players with pricing power.**
 - **Potential total portfolio return to average ~10%.**
 - Earnings growth and positive revisions, NOT multiples, pace gains.
 - Fiscal policy produces wide dispersion between beneficiaries and disadvantaged.
 - Momentum factors give way to idiosyncratic exposures...max active stock selection.
 - Stock/bond correlations remain volatile/positive as regimes remain unstable; pursue maximum portfolio level diversification.
- **US Equities: Overweight**
 - **Market Weight** the Magnificent Seven.
 - **Underweight** unprofitable tech and small caps.
 - **Balance equal-weighted index to cap-weighted**; max active management at 50% of US equity mix; Mag 7 tax bill beneficiaries.
 - Prefer quality cyclicals; GARP: financials, energy, domestic industrials, healthcare, media; we are cautious on consumer .
 - **Adding** mid-cap growth names, which appear insulated from tariffs.
- **Rest of World Equities: Slight Overweight**
 - Japan and India favored longer-term secular positions.
 - **Overweight** EM ex-China; **Market Weight** China; **LatAm highest conviction.**
 - Europe focus on global brands and secular growth themes in defense, construction engineering and infrastructure.
- **Fixed Income: Underweight; the GIC is reducing fixed income exposure and targeting a neutral duration relative to the benchmark.**
 - Prefer IG corporate and munis.
 - Moving to neutral duration.
- **Real Assets: Overweight**
 - Gold and industrial commodities
 - Residential REITs
 - Energy Infrastructure and MLPs
 - **Underweight** silver and bitcoin
- **Hedge Funds: Overweight**
 - Equity Long/Short
 - Multi-Strategy; Absolute Return
 - **Underweight** Macro
- **Privates: Market Weight**
 - Prefer infrastructure and real assets
 - **Adding** to 2026 vintages of venture capital and growth equity.
 - Equity secondaries
 - Private credit ABS and distressed/special situations only.
 - **Underweight** PE buyout and direct lending.

Source: Morgan Stanley Wealth Management GIO

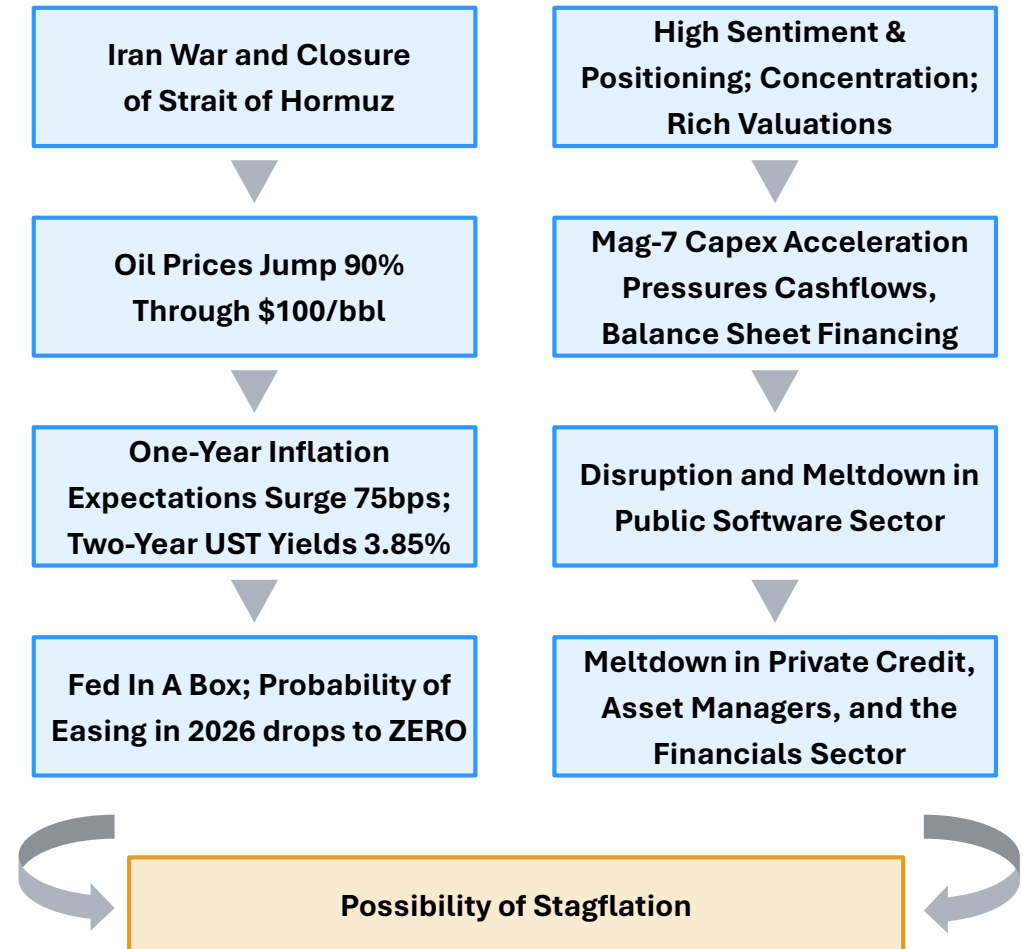
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2026 Bull Case Has Been Complicated by Headwinds

THE ORIGINAL 2026 BULL CASE: DISINFLATIONARY BOOM



2026 ACTUAL DYNAMICS: MOUNTING HEADWINDS



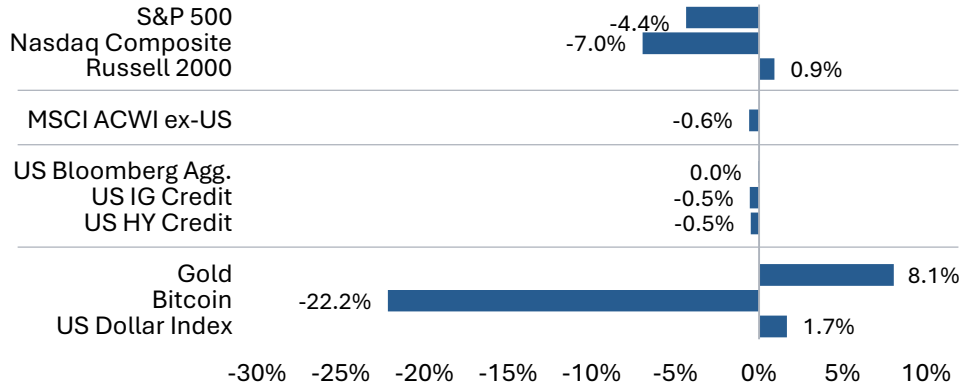
Source: Morgan Stanley Wealth Management GIO

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A Tough Q1

CROSS ASSET 1Q2026 TOTAL RETURN

AS OF MARCH 31, 2026



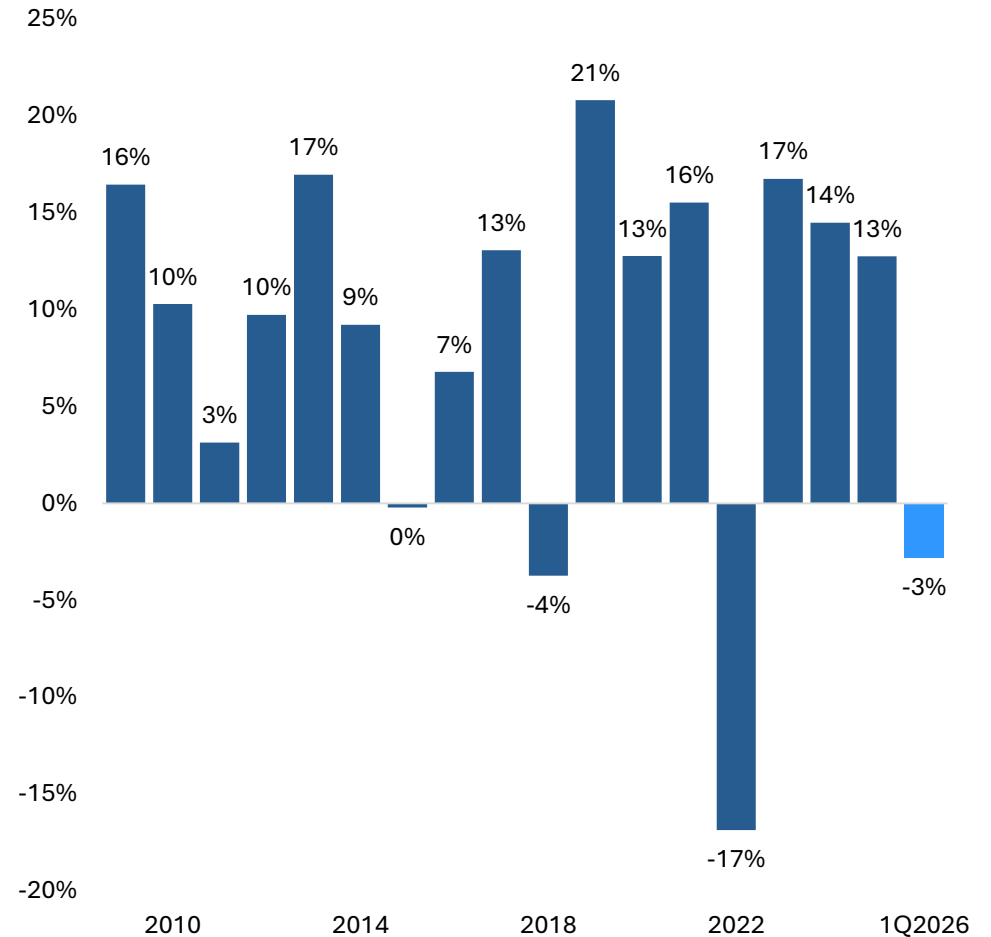
S&P 500 2026 YEAR-TO-DATE SECTOR PERFORMANCE

AS OF MARCH 31, 2026

S&P 500 Sector	Total Return
Energy	38.2%
Materials	9.7%
Utilities	8.3%
Consumer Staples	7.7%
Industrials	4.6%
Real Estate	2.8%
Health Care	-4.9%
Communication Services	-6.9%
Information Technology	-9.1%
Consumer Discretionary	-9.2%
Financials	-9.5%

60/40 PORTFOLIO PERFORMANCE

AS OF MARCH 31, 2026



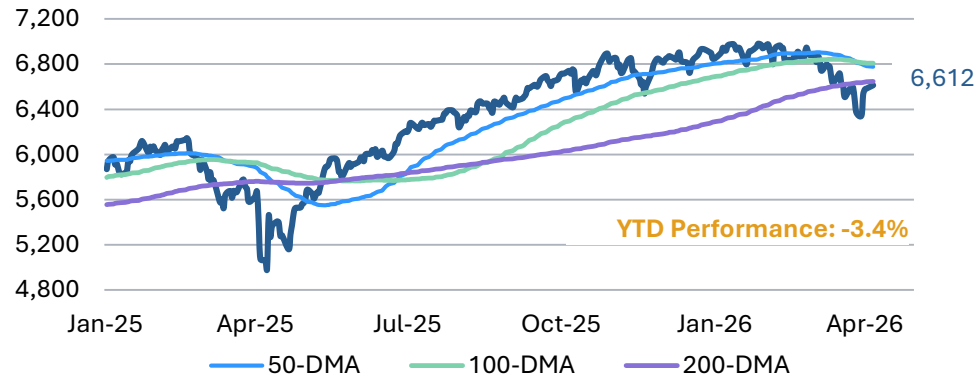
Source: Morgan Stanley Wealth Management GIO, Bloomberg

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US Stocks Have Broken Their Five-Month Range to the Downside

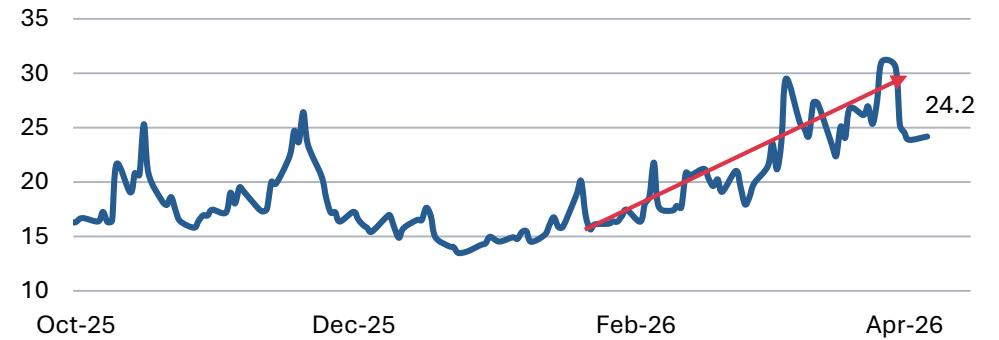
S&P 500 INDEX

AS OF APRIL 6, 2026



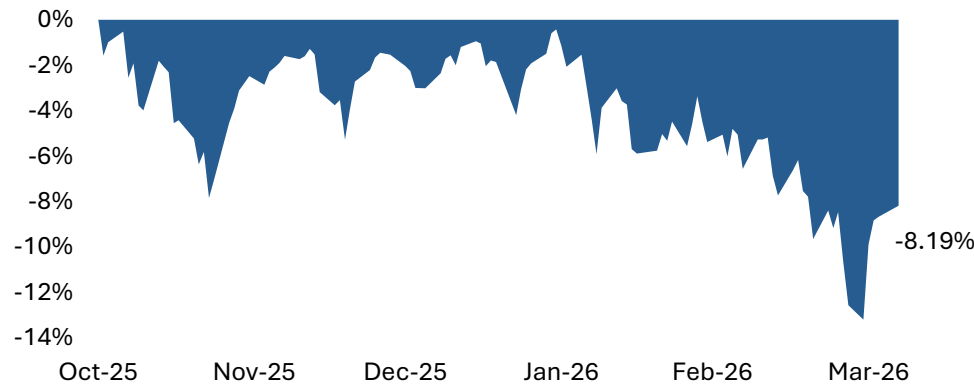
VIX INDEX

AS OF APRIL 6, 2026



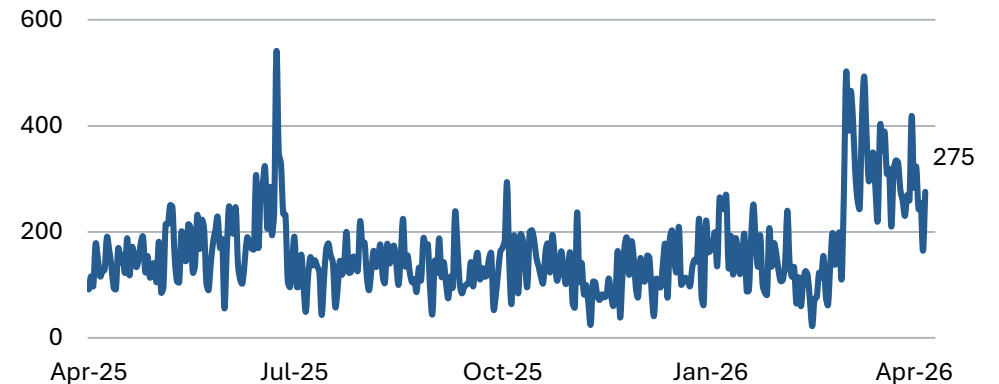
NASDAQ COMPOSITE DRAWDOWN FROM OCT. 29, 2025 PEAK

AS OF APRIL 6, 2026



CALDARA IACOVIELLO GEOPOLITICAL RISK UNCERTAINTY INDEX

AS OF APRIL 6, 2026



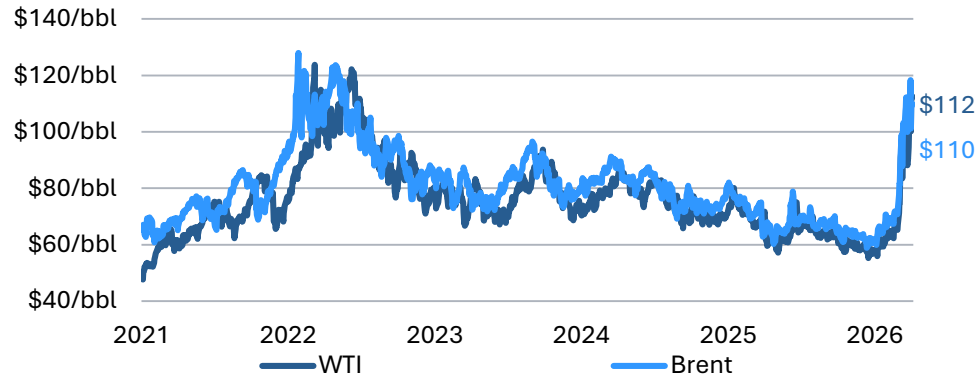
Source: Morgan Stanley Wealth Management GIO, Bloomberg

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War-Linked Culprits for the Equity Breakdown Are Obvious

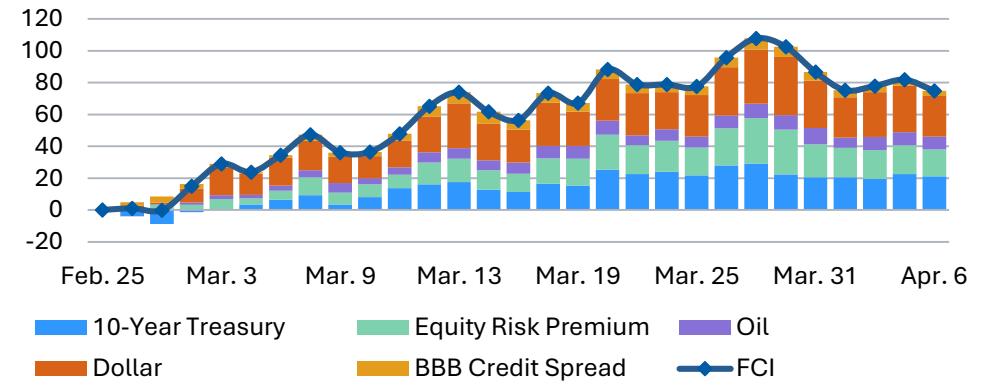
CRUDE OIL SPOT PRICE

AS OF APRIL 6, 2026



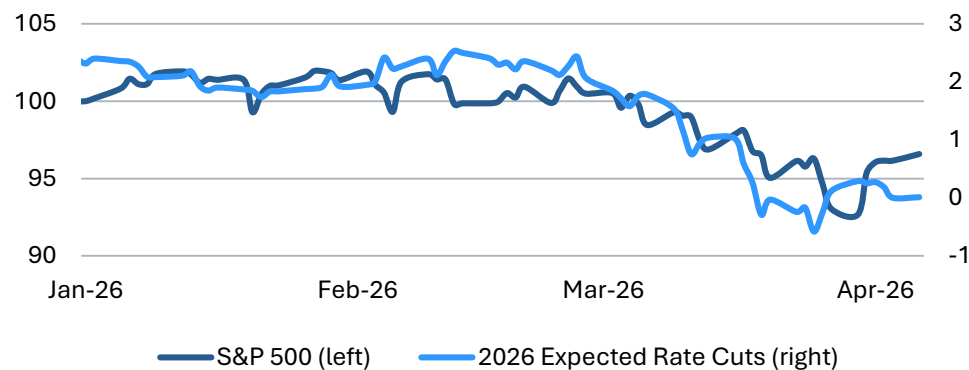
MORGAN STANLEY FINANCIAL CONDITIONS INDICATOR

AS OF APRIL 6, 2026



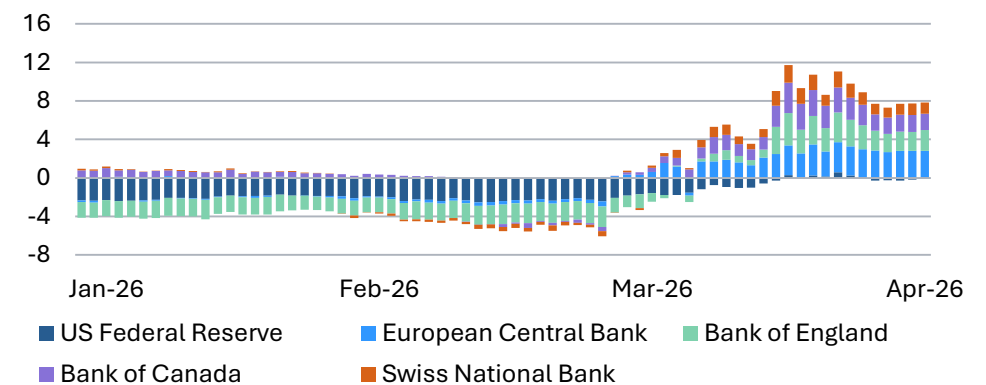
S&P 500 VS. MARKET-IMPLIED PROBABILITY OF 2026 FED RATE CUT

AS OF APRIL 6, 2026 (S&P 500 INDEXED TO 100 ON JANUARY 1, 2026)



2026 EXPECTED NUMBER OF 25-BASIS-POINT RATE HIKES/CUTS

AS OF APRIL 6, 2026



Source: Morgan Stanley Wealth Management GIO, Bloomberg. 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.

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Inflation Expectations Have Impacted Rates and the Yield Curve

ONE-YEAR INFLATION SWAP YIELDS

AS OF APRIL 6, 2026



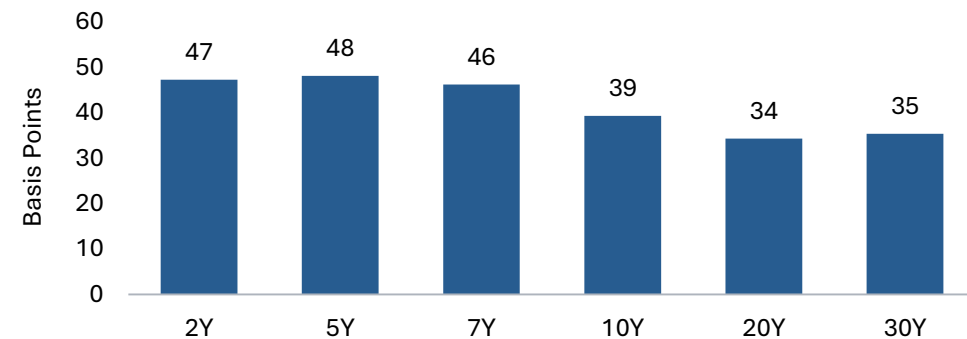
TWO-YEAR/10-YEAR US TREASURY CURVE SPREAD

AS OF APRIL 6, 2026



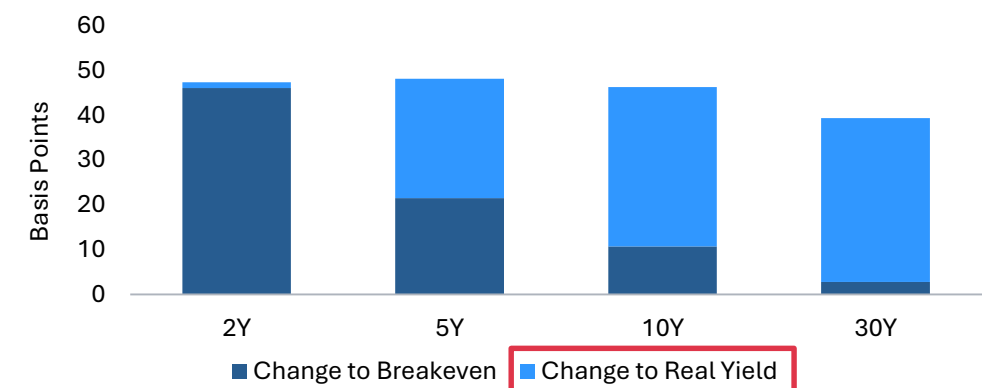
CHANGES TO UST YIELD SINCE ONSET OF IRAN CONFLICT

AS OF APRIL 6, 2026



BREAKDOWN OF US TREASURY YIELD CHANGE SINCE FEB. 27

AS OF APRIL 6, 2026



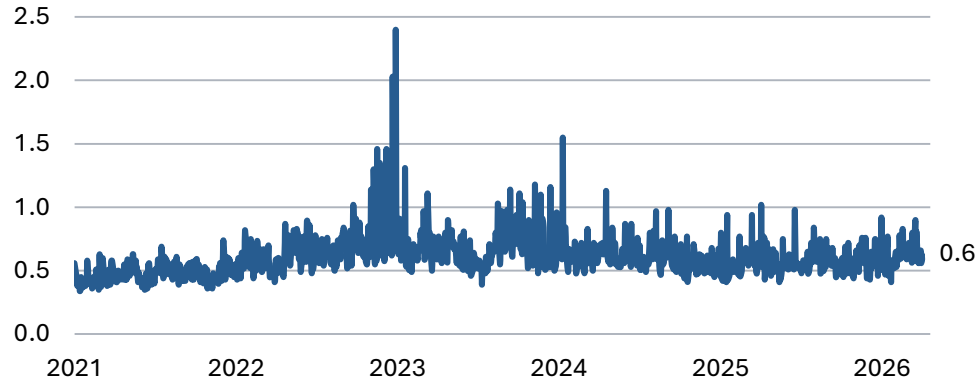
Source: Morgan Stanley Wealth Management GIO, Bloomberg

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But Equity Sentiment and Positioning Are Not Washed Out; No Panic

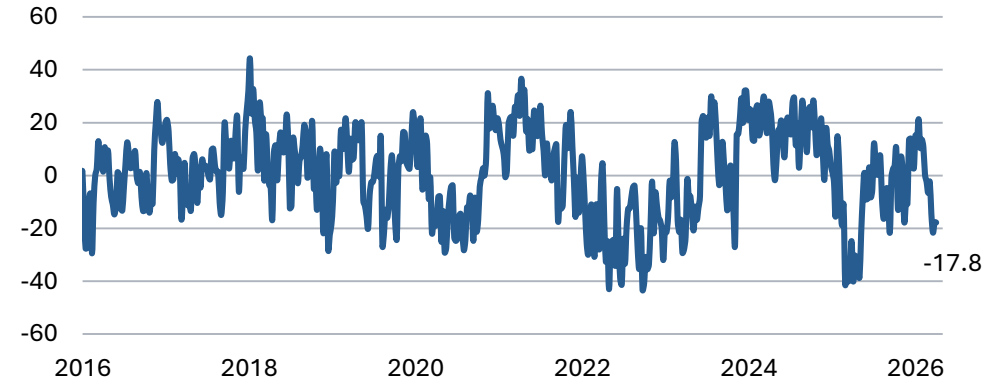
CBOE PUT/CALL RATIO

AS OF APRIL 2, 2026



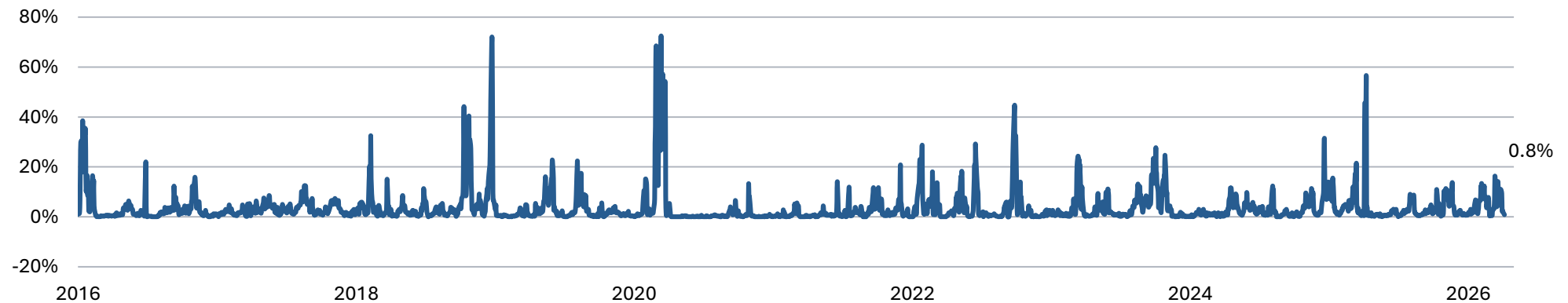
AII INVESTOR BULLISH LESS BEARISH READINGS

AS OF APRIL 2, 2026



SHARE OF S&P 500 STOCKS IN "OVERSOLD TERRITORY"

AS OF APRIL 6, 2026



Source: Morgan Stanley Wealth Management GIO, Bloomberg. Note: A 14-day Relative Strength Index (RSI) below 30 suggests an oversold condition.

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History of Market Impact of Military Conflict Is Short-Lived

S&P 500 RETURNS AROUND GEOPOLITICAL EVENTS

AS OF MARCH 31, 2026

Episode	Start Date	1D	1W	1M	3M	12M
Korean War	Jun. 25, 1950	0.0%	2.3%	-4.9%	7.3%	19.0%
Vietnam War starts	Nov. 01, 1955	0.2%	4.4%	7.3%	3.6%	9.7%
Suez Crisis	Oct. 29, 1956	-0.1%	2.6%	-4.2%	-4.1%	-12.9%
1958 Lebanon Crisis	Jul. 15, 1958	0.3%	2.9%	6.2%	13.6%	32.0%
Indo-Pakistani War	Aug. 05, 1965	0.3%	0.7%	2.6%	7.8%	-2.2%
Six-Day War	Jun. 05, 1967	2.0%	4.1%	3.3%	5.9%	13.1%
Fall/Liberation of Saigon	Apr. 30, 1975	0.9%	2.0%	4.4%	1.8%	17.0%
Iran Hostage Crisis	Nov. 04, 1979	0.0%	-0.3%	4.9%	13.1%	25.2%
Soviet Afghan War	Dec. 24, 1979	0.0%	0.3%	5.4%	-7.8%	26.1%
Iran-Iraq War	Sep. 22, 1980	-0.7%	-5.3%	1.2%	4.1%	-10.1%
Multinational Force in Lebanon	Aug. 25, 1982	0.8%	0.6%	4.9%	13.9%	37.1%
1986 United States bombing of Libya	Apr. 15, 1986	1.9%	2.0%	-1.4%	-1.7%	17.4%
United States invasion of Panama	Dec. 20, 1989	0.6%	1.7%	-1.1%	-0.9%	-3.7%
Gulf War	Aug. 02, 1990	-1.9%	-3.3%	-8.2%	-12.6%	10.1%
Iraqi no-fly zones conflict	Mar. 01, 1991	-0.3%	1.2%	2.4%	5.2%	11.4%
Croatian War	Mar. 31, 1991	0.0%	1.1%	1.1%	0.0%	8.7%
Bosnian War	Apr. 06, 1992	-1.9%	0.1%	2.8%	2.0%	9.0%
Kosovo War	Feb. 28, 1998	0.0%	0.8%	5.2%	4.1%	18.2%
War in Afghanistan	Oct. 07, 2001	0.0%	2.7%	5.3%	10.4%	-24.6%
Iraq War	Mar. 20, 2003	2.3%	-0.8%	1.9%	13.6%	28.2%
Russia-Ukraine war	Feb. 24, 2022	2.2%	1.7%	6.7%	-5.4%	-6.4%
Average		0.3%	1.0%	2.2%	3.5%	10.6%
Median		0.1%	1.2%	2.8%	4.1%	11.4%

DXY INDEX RETURNS AROUND GEOPOLITICAL EVENTS

AS OF MARCH 31, 2026

Episode	Start Date	1D	1W	1M	3M	12M
Fall/Liberation of Saigon	Apr. 30, 1975	0.0%	-0.5%	-0.8%	6.0%	11.5%
Iran Hostage Crisis	Nov. 04, 1979	0.0%	0.4%	-2.3%	-2.8%	-0.3%
Soviet Afghan War	Dec. 24, 1979	0.0%	-0.4%	-0.7%	6.3%	5.1%
Iran-Iraq War	Sep. 22, 1980	0.3%	0.1%	1.2%	5.3%	20.7%
Multinational Force in Lebanon	Aug. 25, 1982	0.4%	2.3%	3.6%	4.9%	9.5%
1986 United States bombing of Libya	Apr. 15, 1986	-2.1%	-4.3%	-4.8%	-6.0%	-18.1%
United States invasion of Panama	Dec. 20, 1989	-0.2%	-1.8%	-0.7%	0.1%	-12.5%
Gulf War	Aug. 02, 1990	-0.2%	0.0%	-1.3%	-5.6%	7.1%
Iraqi no-fly zones conflict	Mar. 01, 1991	-0.1%	1.7%	6.5%	9.8%	4.9%
Croatian War	Mar. 31, 1991	0.0%	0.1%	1.1%	6.1%	-1.1%
Bosnian War	Apr. 06, 1992	-0.2%	0.9%	-0.4%	-6.6%	2.4%
Kosovo War	Feb. 28, 1998	0.0%	1.1%	1.9%	0.9%	-0.9%
War in Afghanistan	Oct. 07, 2001	0.0%	0.9%	2.3%	3.3%	-4.4%
Iraq War	Mar. 20, 2003	0.8%	-0.5%	-1.5%	-7.9%	-13.4%
Russia-Ukraine war	Feb. 24, 2022	-0.5%	0.7%	2.0%	4.8%	7.7%
Average		-0.1%	0.0%	0.4%	1.3%	1.2%
Median		0.0%	0.1%	-0.4%	3.3%	2.4%

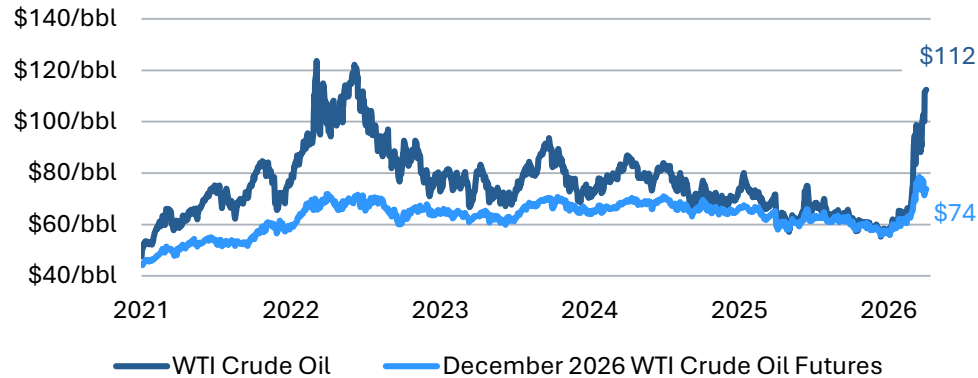
Source: Morgan Stanley Wealth Management GIO, MS & Co. Research

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WTI Oil Futures Markets Still Relatively Well Behaved, Anchoring Long Run Inflation Expectations

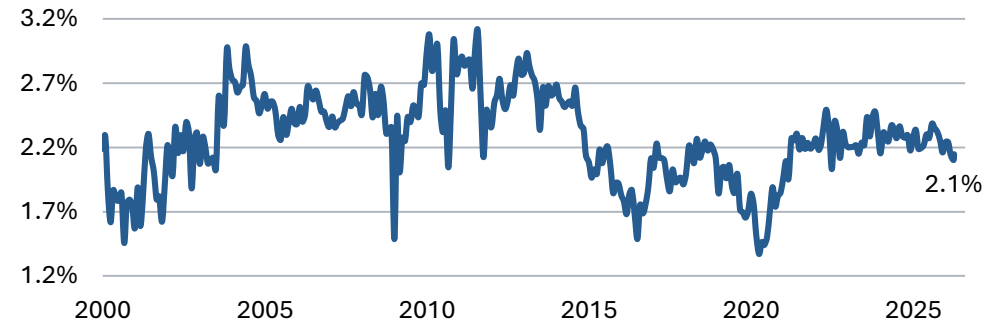
WTI CRUDE OIL SPOT PRICE VS. DECEMBER 2026 FUTURES

AS OF APRIL 6, 2026



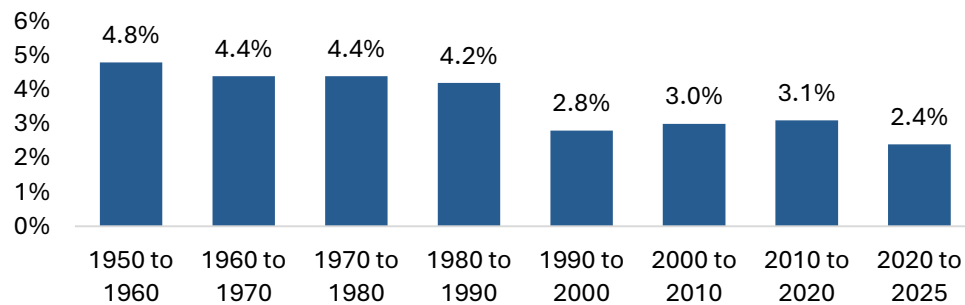
FIVE-YEAR, FIVE-YEAR FORWARD INFLATION BREAKEVEN

AS OF APRIL 6, 2026



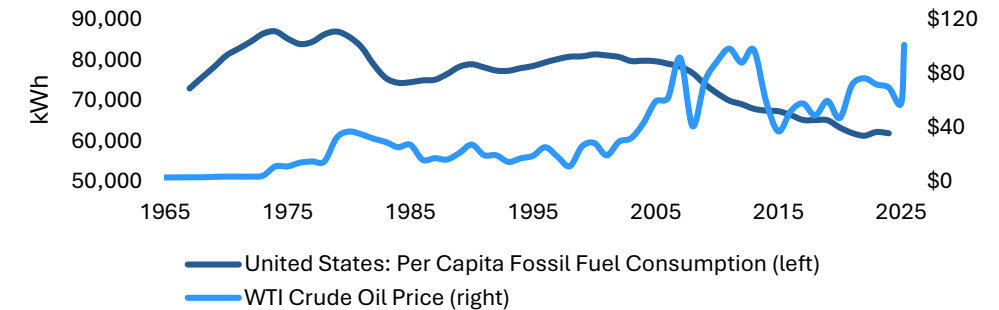
GASOLINE SHARE OF PERSONAL CONSUMPTION EXPENDITURES

AS OF MARCH 31, 2026



ENERGY INTENSITY PER CAPITA

AS OF MARCH 31, 2026



Ten countries are now paying tolls to pass the Strait of Hormuz, including US allies, Japan and France

Source: Morgan Stanley Wealth Management GIO, Bloomberg

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Shock Is Not 2022; Fed Easing Bias; Markets Over-Supplied

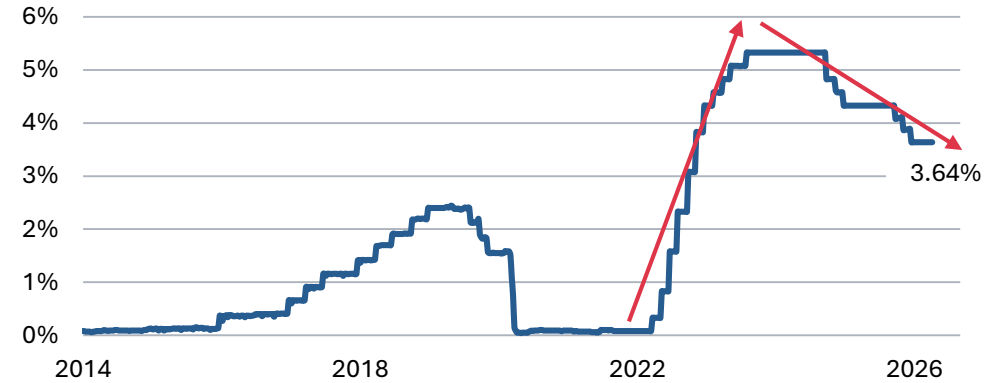
BRENT CRUDE OIL

AS OF APRIL 6, 2026



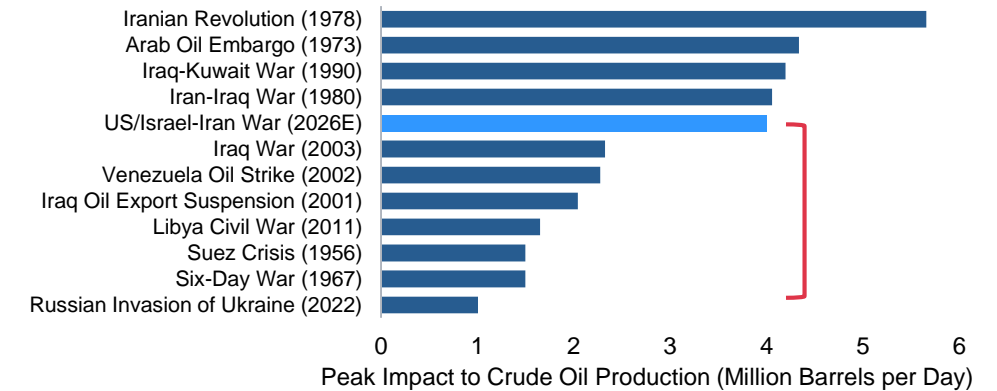
FEDERAL FUNDS EFFECTIVE RATE

AS OF APRIL 6, 2026



BARRELS PER DAY IMPACTED ACROSS VARIOUS WARS

AS OF MARCH 31, 2026



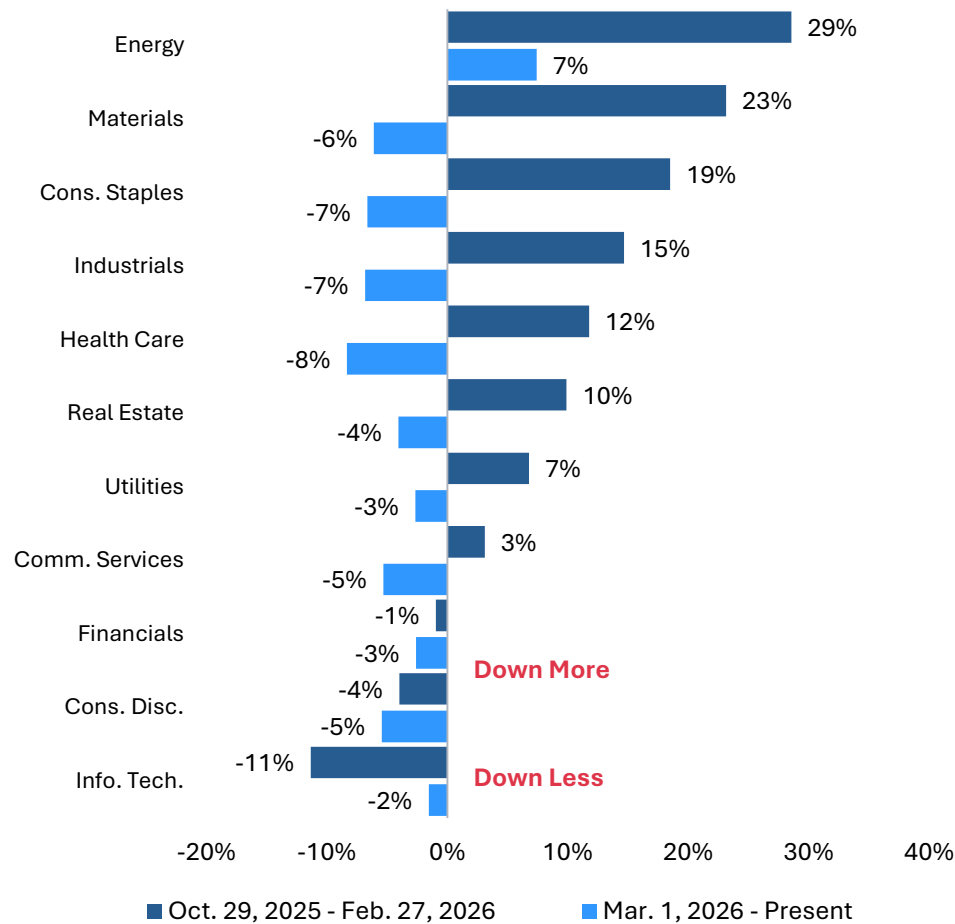
Source: Morgan Stanley Wealth Management GIO, Bloomberg, Oxford Economics. 2026 impact to crude oil production estimates from Oxford Economics.

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But War Drove Equities to Reverse Some Key Trends Like Sector, Style, and Regional Leadership

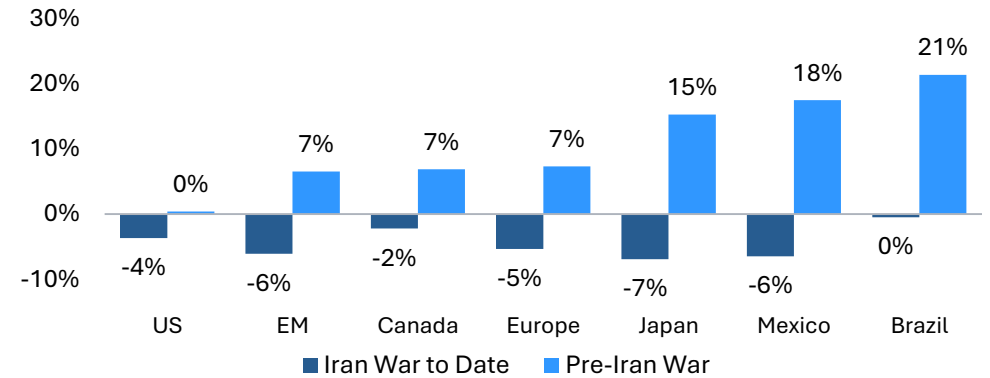
S&P 500 GICS SECTOR TOTAL RETURN

AS OF APRIL 6, 2026



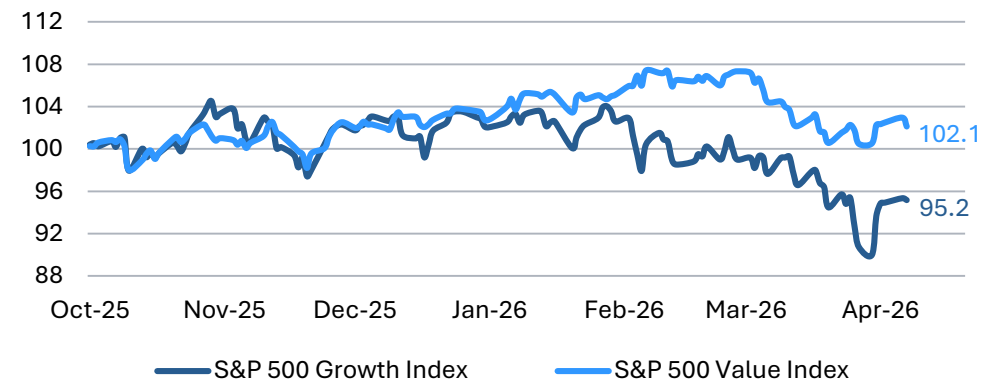
2026 REGIONAL EQUITY RETURNS RELATIVE TO MSCI ACWI

AS OF APRIL 6, 2026



S&P 500 GROWTH INDEX VS. VALUE INDEX

AS OF APRIL 6, 2026 (SEPTEMBER 30, 2025 = 100)



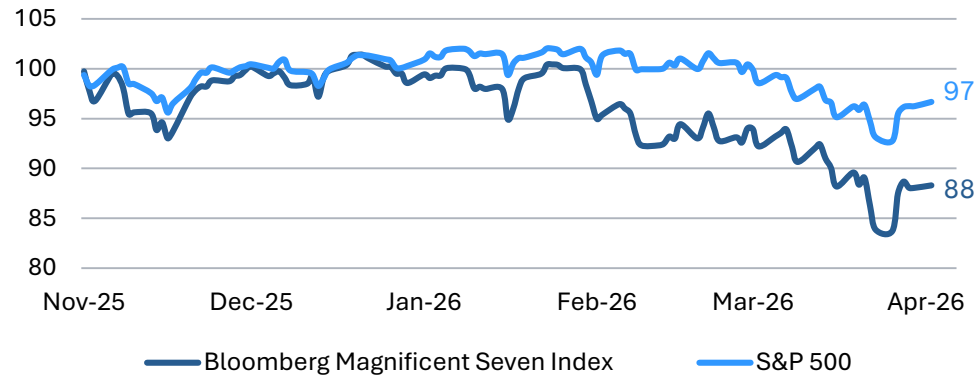
Source: Morgan Stanley Wealth Management GIO, Bloomberg

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Underperformance of Mag-7 Has Helped Index Concentration; Valuation

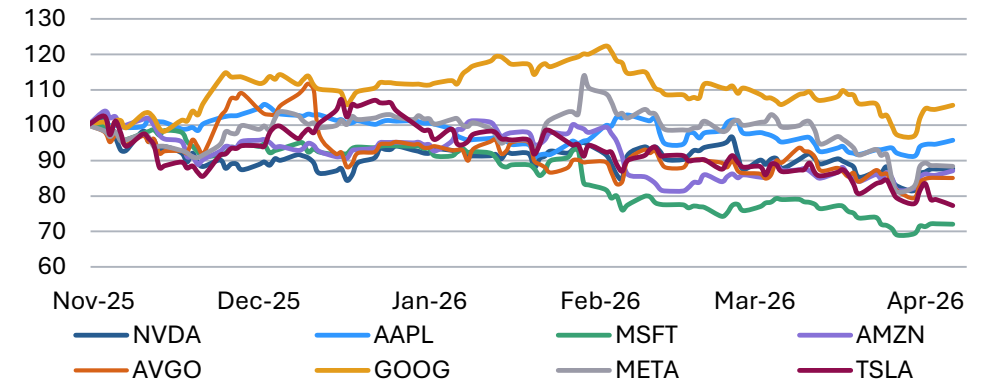
MAGNIFICENT SEVEN VS. S&P 500

AS OF APRIL 6, 2026 (OCTOBER 31, 2025 = 100)



MAGNIFICENT SEVEN DISPERSION

AS OF APRIL 6, 2026 (OCTOBER 31, 2025 = 100)



TEN LARGEST COMPANIES' SHARE OF S&P 500 MARKET CAP

AS OF MARCH 31, 2026



MAGNIFICENT SEVEN FORWARD P/E RATIO

AS OF APRIL 6, 2026



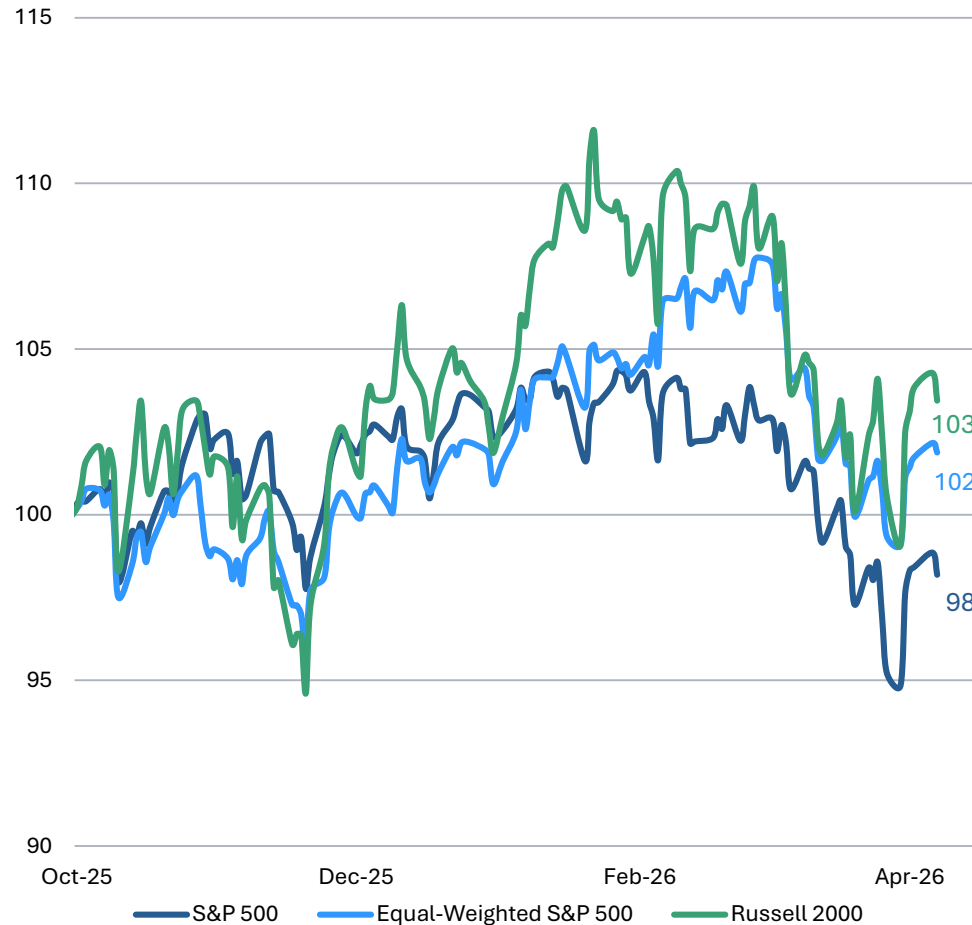
Source: Morgan Stanley Wealth Management GIO, Bloomberg

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Equal Weight and Small Cap Are Still Outpacing YTD; Average Stock Has Suffered; Opportunities Abound

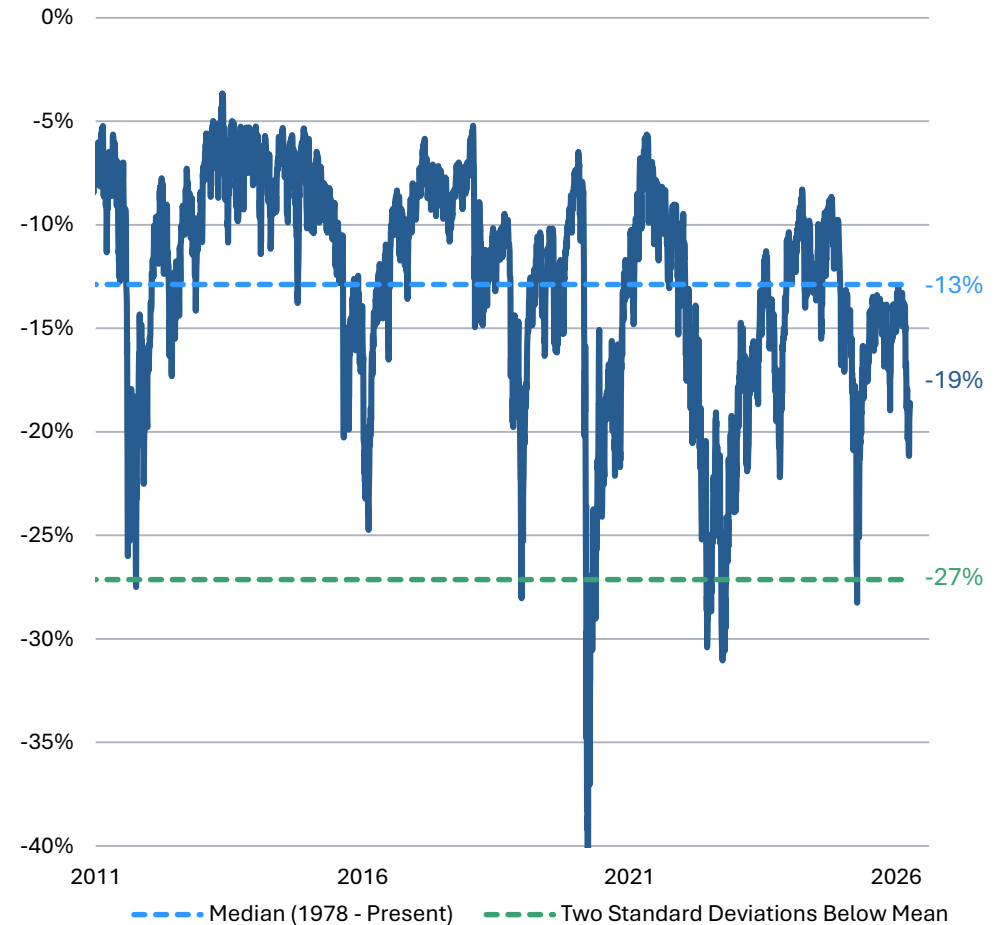
INDEX PERFORMANCE

AS OF APRIL 6, 2026 (SEPTEMBER 30, 2025 = 100)



S&P 500 AVERAGE STOCK DECLINE FROM 52-WEEK HIGH

AS OF APRIL 6, 2026



Source: Morgan Stanley Wealth Management GIO, Bloomberg, Strategas

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Valuations Have Improved, Especially as Revisions Have Kept Rising; All Tech; But Index Not Cheap

S&P 500 FORWARD 12-MONTH P/E RATIO

AS OF APRIL 6, 2026



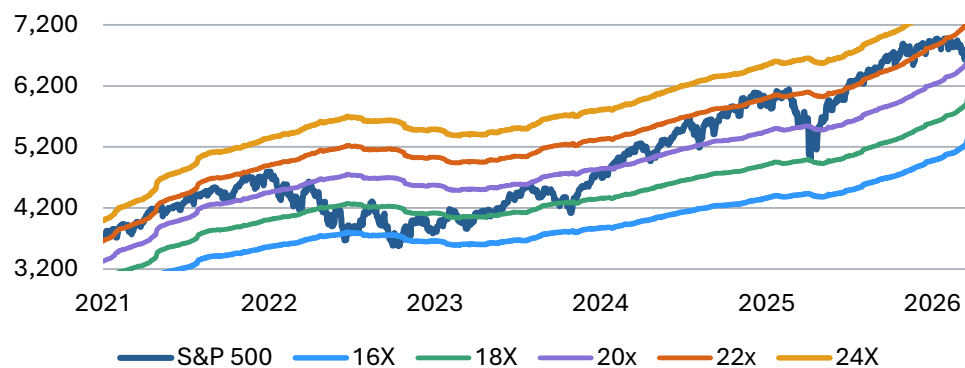
S&P 500 FORWARD 12-MONTH EPS, YEAR-OVER-YEAR

AS OF APRIL 6, 2026



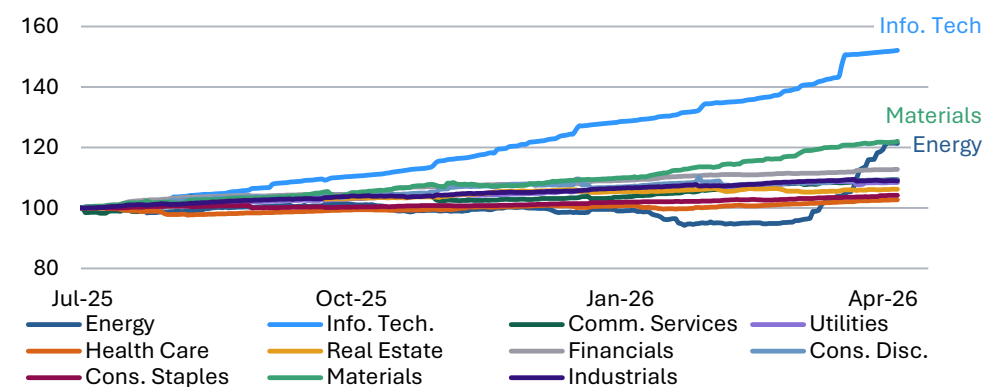
S&P 500 BY FORWARD P/E MULTIPLE

AS OF APRIL 6, 2026



S&P 500 SECTOR EPS EXPECTATIONS

AS OF APRIL 6, 2026 (JUNE 30, 2025 = 100)



Source: Morgan Stanley Wealth Management GIO, Bloomberg

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And There Are Some Opportunities

S&P 500 SECTOR PERFORMANCE AND VALUATION

AS OF APRIL 2, 2026

Index Name	Return			Div. Yield	Beta	20-Year Avg. Forward P/E	Forward P/E	PEG Ratio
	One-Week	YTD	One-Year					
S&P 500	3.4%	-3.8%	16.1%	1.2%		16.3x	19.8x	1.2
Energy	-5.3%	32.5%	26.4%	2.6%	0.75	13.9x	17.1x	2.4
Materials	3.4%	10.6%	15.9%	1.7%	0.86	15.7x	19.1x	1.5
Industrials	2.9%	5.6%	23.1%	1.1%	0.94	16.9x	24.8x	2.5
Consumer Discretionary	2.7%	-9.9%	6.9%	0.7%	1.23	20.7x	25.5x	2.0
Consumer Staples	0.7%	7.1%	3.7%	2.4%	0.26	17.9x	22.0x	2.5
Health Care	2.4%	-5.2%	1.7%	1.8%	0.54	15.1x	17.2x	1.8
Financials	3.6%	-9.5%	-1.3%	1.6%	0.89	13.0x	14.4x	2.3
Information Technology	4.6%	-7.6%	28.8%	0.5%	1.39	18.7x	21.2x	1.8
Telecommunication Services	6.4%	-5.7%	32.3%	0.6%	1.01	15.9x	20.3x	2.9
Utilities	1.6%	8.6%	16.7%	2.6%	0.41	16.1x	18.9x	1.8
Real Estate	3.8%	3.8%	0.2%	3.5%	0.52	16.4x	17.5x	1.8

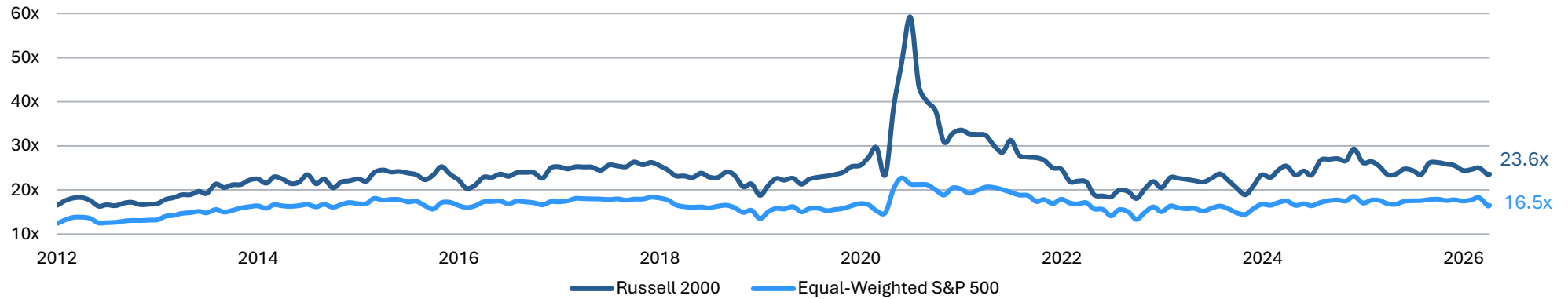
Source: Morgan Stanley Wealth Management GIO, Bloomberg, Factset

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Small-Cap Looks Like Source of Profits

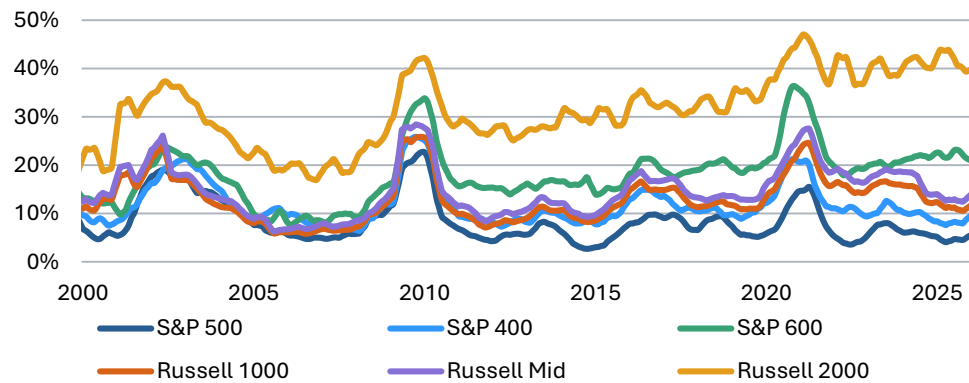
FORWARD P/E RATIO

AS OF APRIL 6, 2026



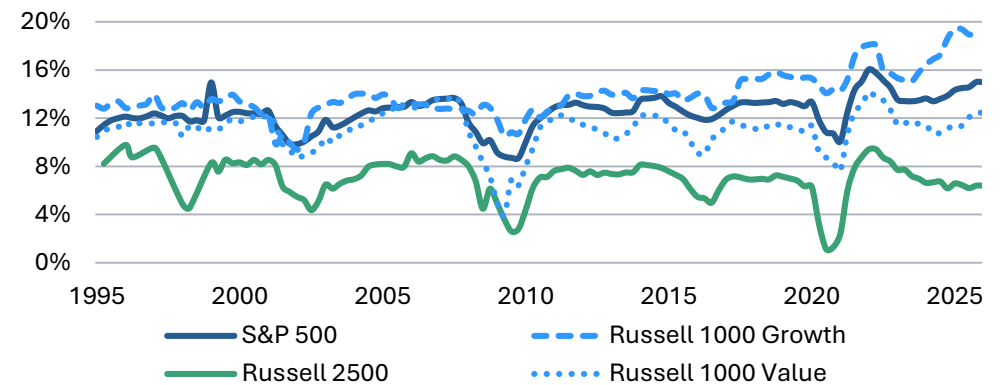
SHARE OF UNPROFITABLE COMPANIES BY INDEX

AS OF MARCH 31, 2026



OPERATING MARGINS BY EQUITY INDEX

AS OF MARCH 31, 2026



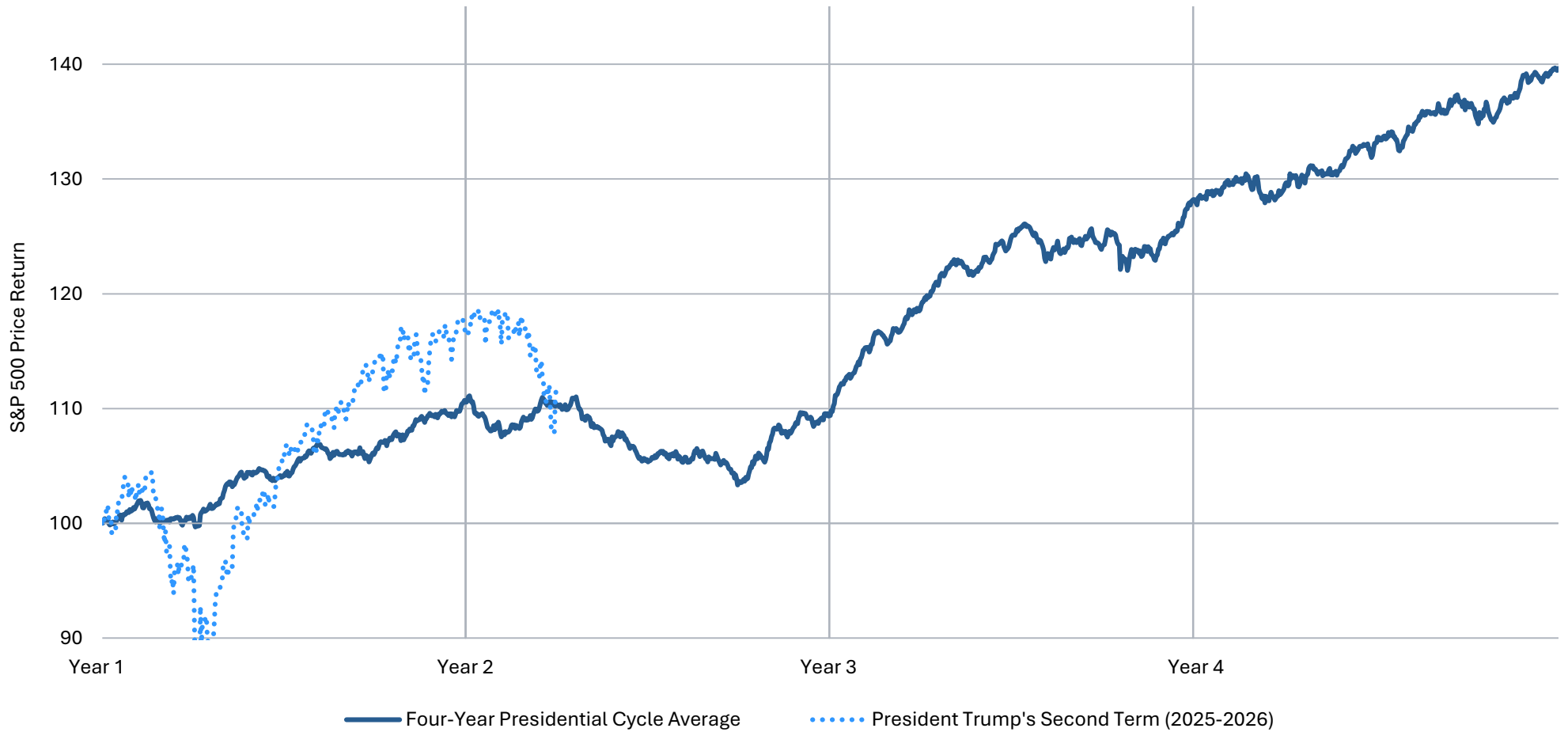
Source: Morgan Stanley Wealth Management GIO, Bloomberg

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Seasonality and Political History Suggest a Grind

S&P 500 AVERAGE PRICE RETURN DURING FOUR-YEAR PRESIDENTIAL CYCLES

AS OF APRIL 1, 2026



Source: Morgan Stanley Wealth Management GIO, Strategas

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Earnings Expectations for 2026 Are Ambitious

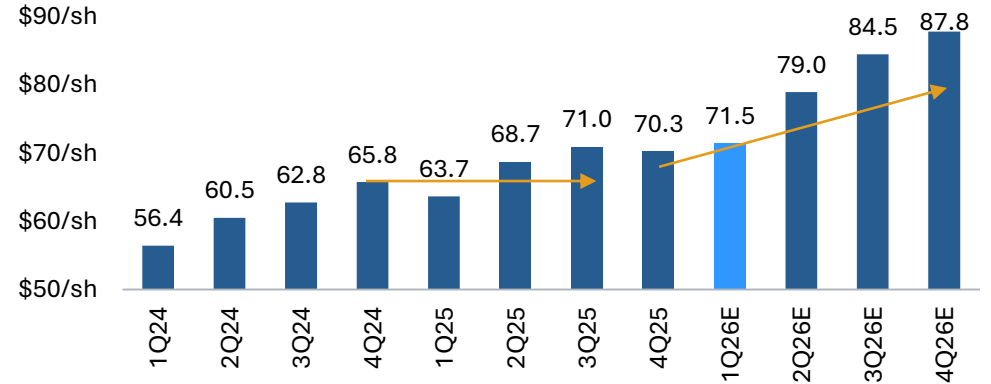
S&P 500 EARNINGS REVISIONS BREADTH

AS OF APRIL 2, 2026



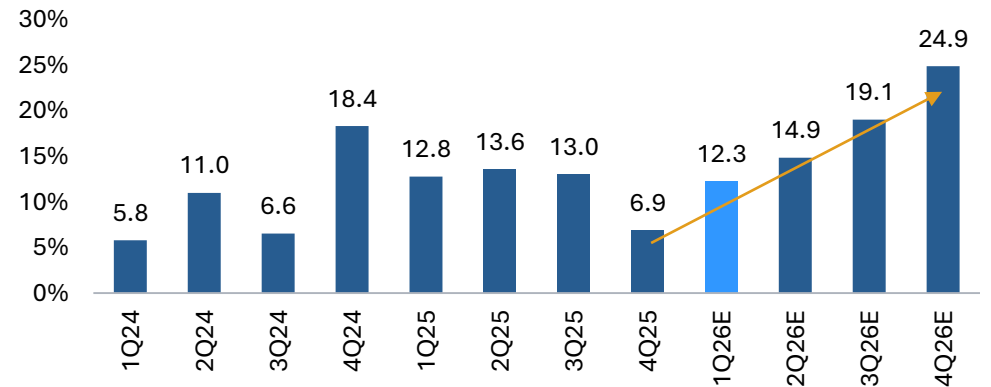
S&P 500 CONSENSUS EPS

AS OF APRIL 6, 2026



S&P 500 CONSENSUS EPS, YEAR-OVER-YEAR GROWTH

AS OF APRIL 6, 2026



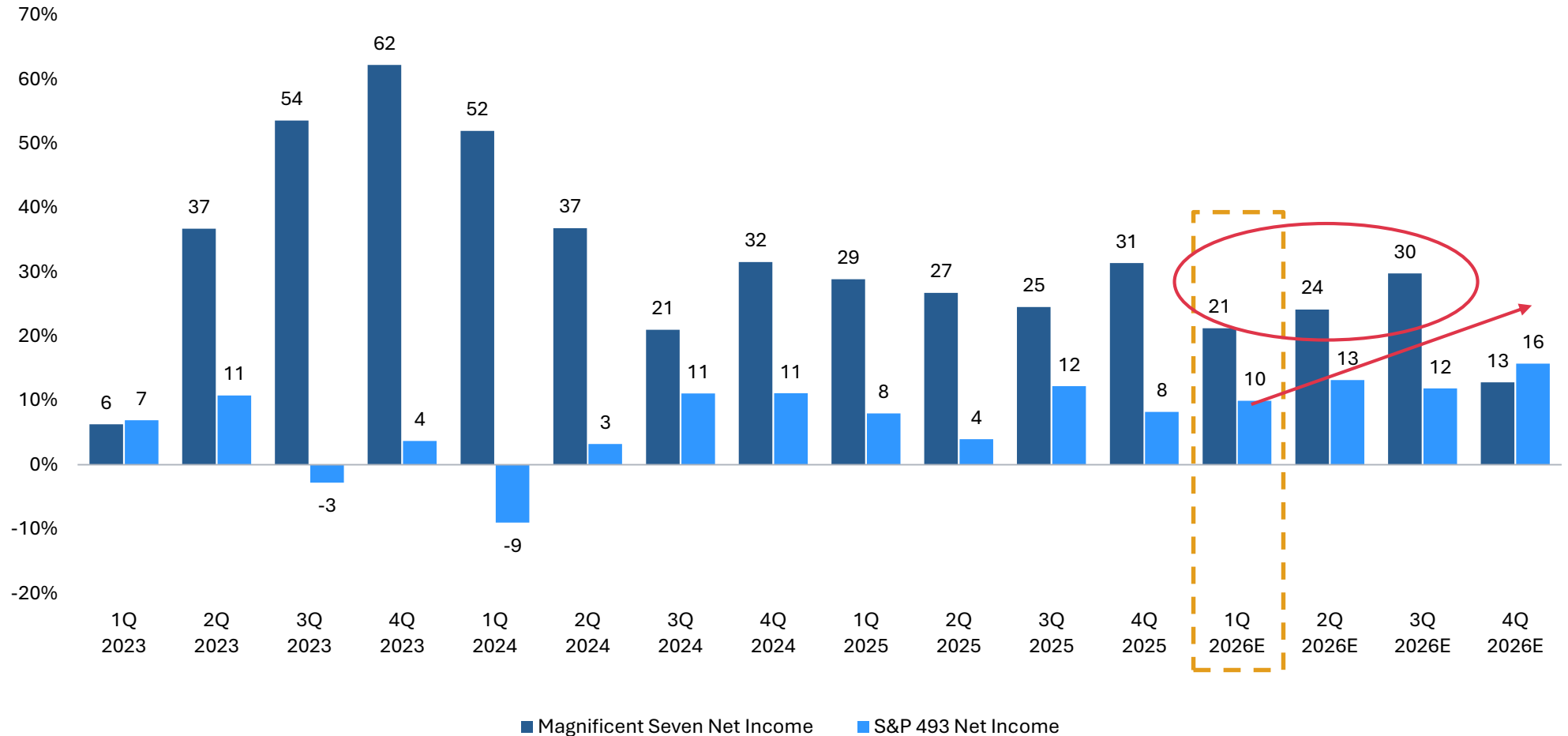
Source: Morgan Stanley Wealth Management GIO, MS & Co. Research. Earnings revisions breadth is defined as the number of positive analyst revisions minus the number of negative analyst revisions divided by the total number of revisions.

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2026 DEPENDS on “493” Reacceleration

MAGNIFICENT SEVEN AND S&P 493 NET INCOME, YEAR-OVER-YEAR GROWTH

AS OF APRIL 6, 2026



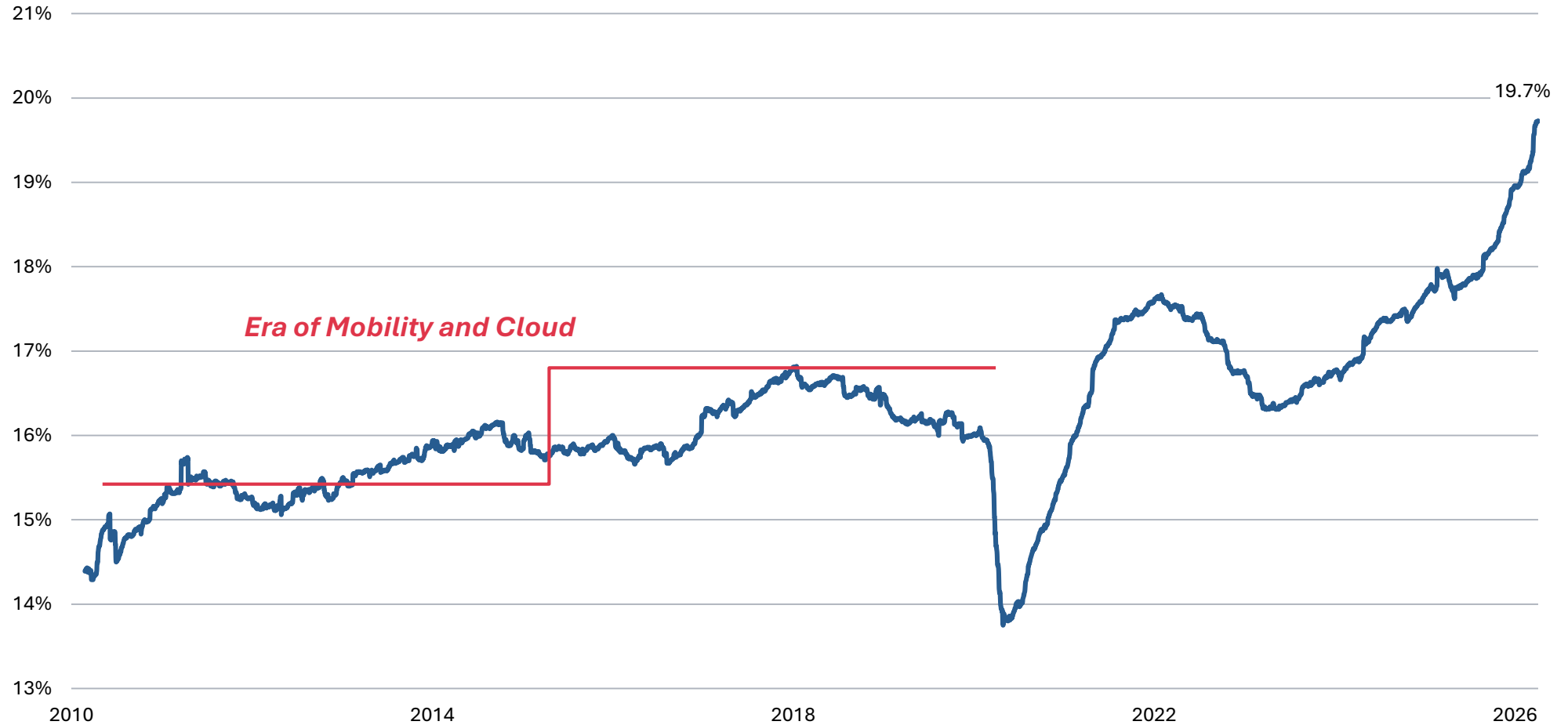
Source: Morgan Stanley Wealth Management GIO, MS & Co. Research, consensus estimates

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Expectations for Productivity Gains Are Substantial

S&P 500 FORWARD OPERATING MARGIN

AS OF APRIL 6, 2026



Source: Morgan Stanley Wealth Management GIO, Bloomberg

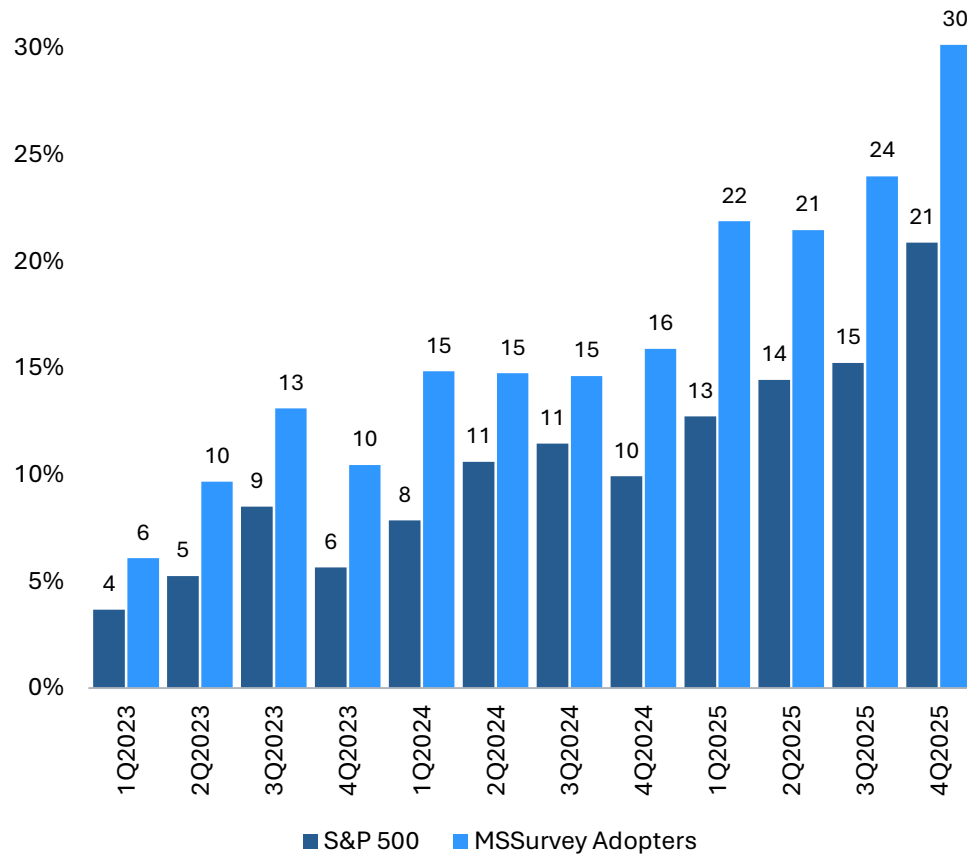
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AI Adoption With Margin Impact Still Burgeoning

SHARE OF COMPANIES PROVIDING QUANTIFIABLE AI IMPACT

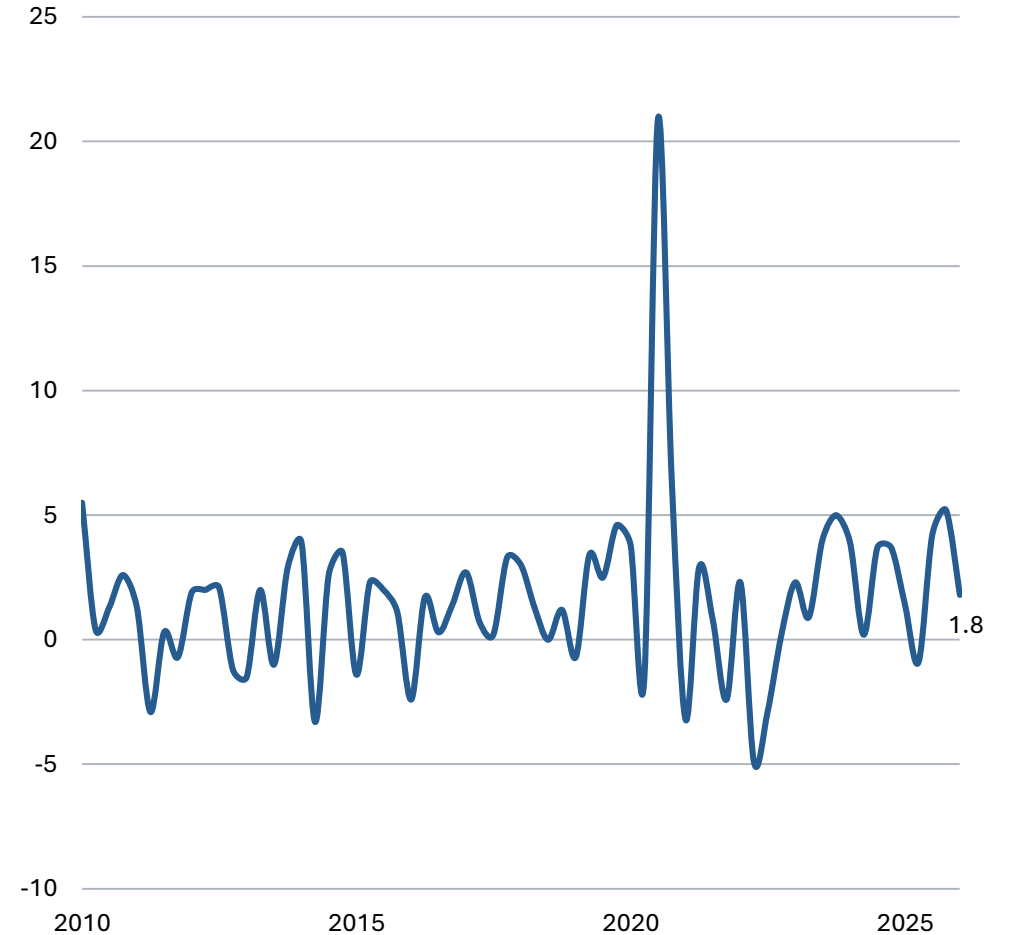
AS OF MARCH 31, 2026

35%



US NONFARM PRODUCTIVITY, QUARTER-OVER-QUARTER

AS OF MARCH 24, 2026



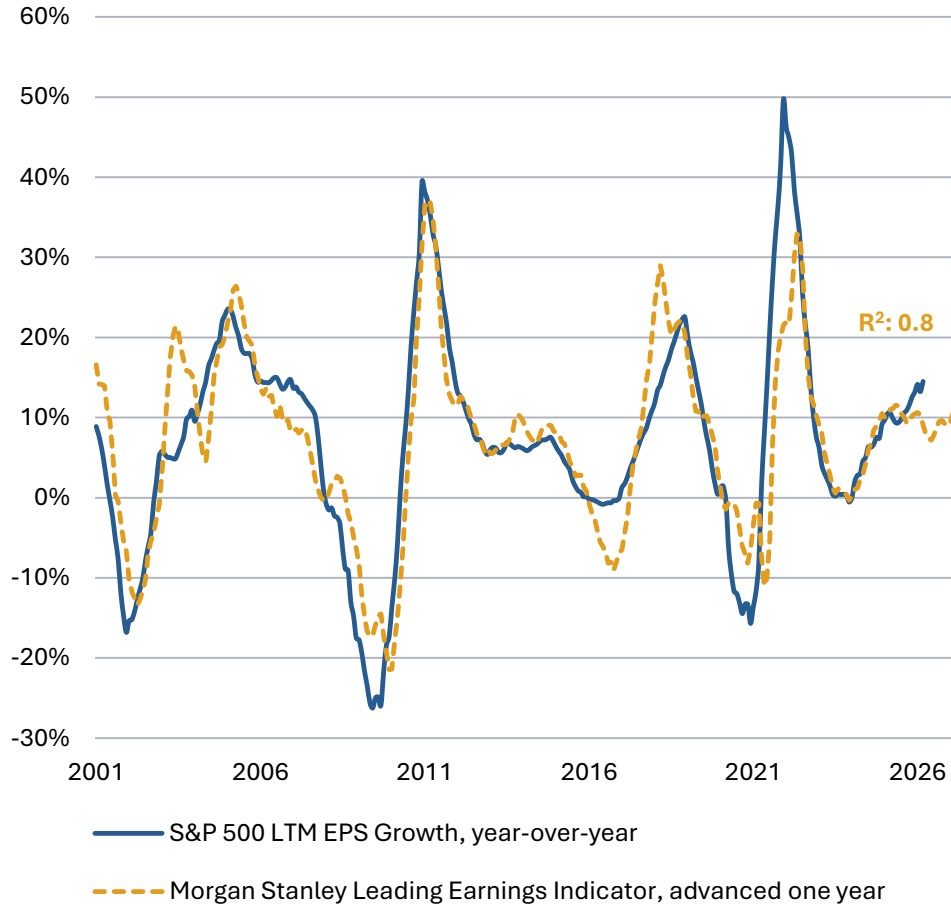
Source: Morgan Stanley Wealth Management GIO, MS & Co. Research

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MS Proprietary Earnings Growth Gauge Has Stalled Out

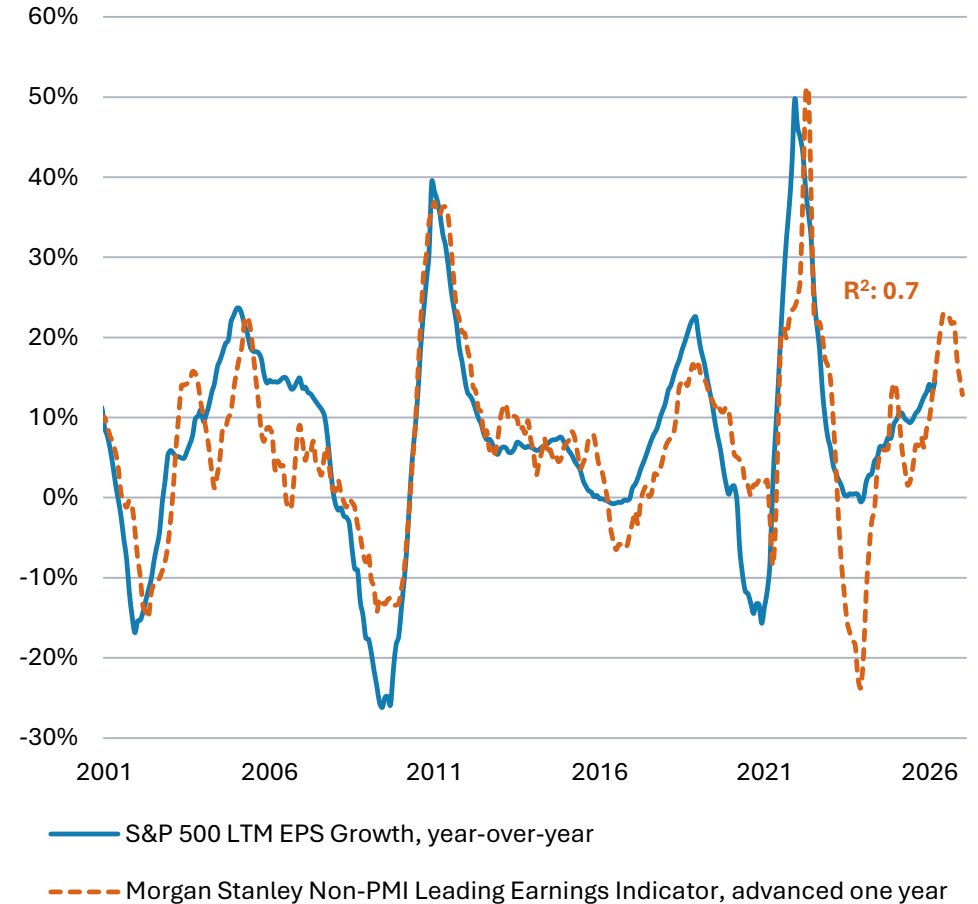
US LEADING EARNINGS INDICATOR

AS OF MARCH 31, 2026



US NON-PMI LEADING EARNINGS INDICATOR

AS OF MARCH 31, 2026



Source: Morgan Stanley Wealth Management GIO, MS & Co. Research. R2, or the coefficient of determination, is a statistic used in the context of statistical models whose main purpose is either the prediction of future outcomes or the testing of hypotheses, on the basis of other related information. It provides a measure of how well observed outcomes are replicated by the model, based on the proportion of total variation of outcomes explained by the model.

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US Growth Is Still Robust

Manufacturing Is Rebounding and Economic Surprises Solid

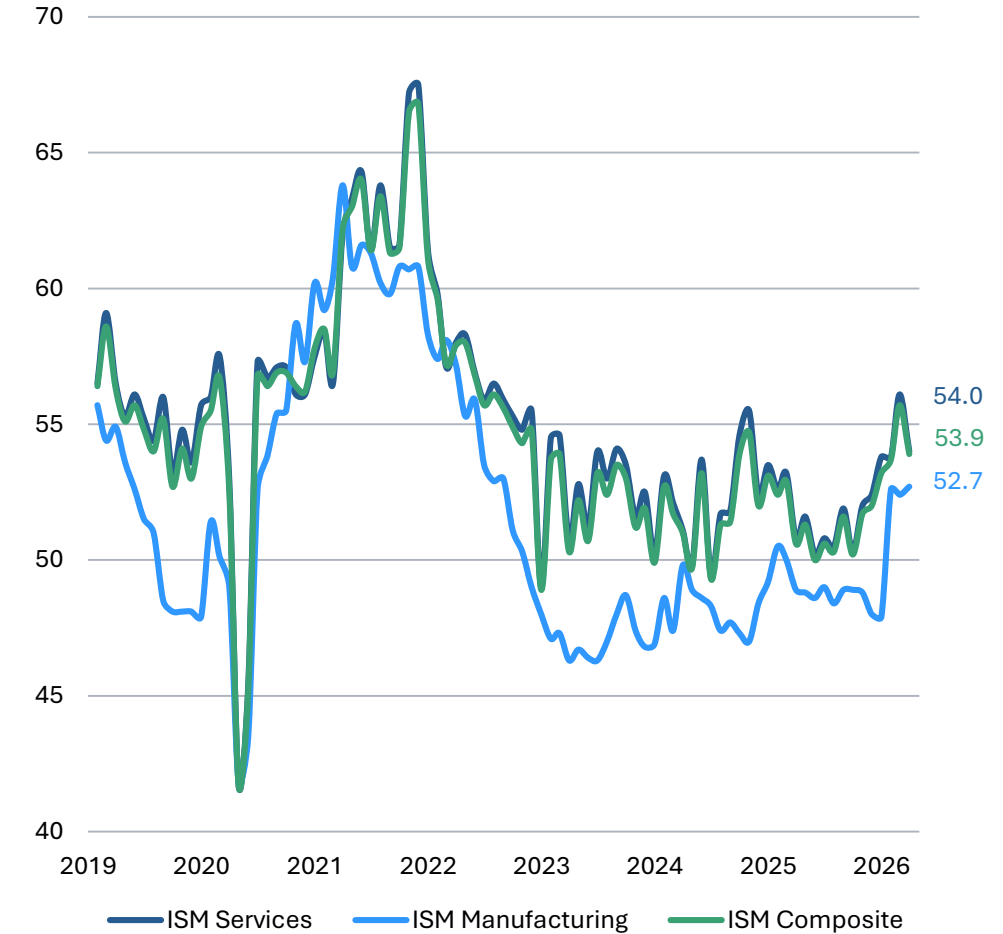
ECONOMIC SUPRISES HAVE BEEN STRONG

AS OF APRIL 6, 2026



ISM SOLIDLY REBOUNDING

AS OF MARCH 31, 2026



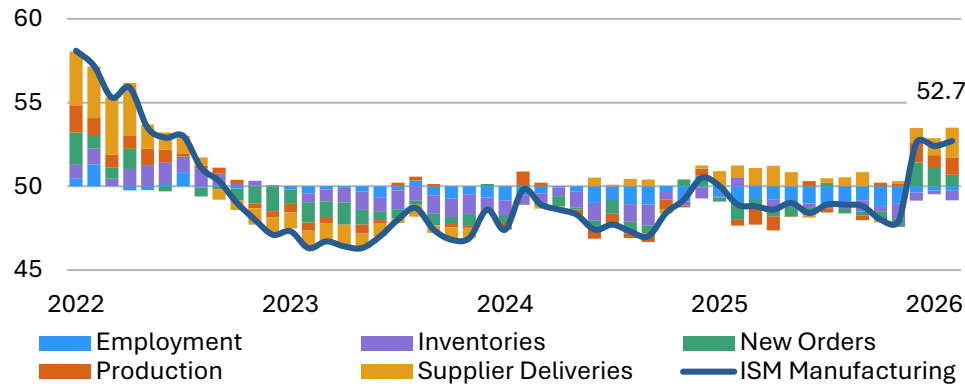
Source: Morgan Stanley Wealth Management GIO, Bloomberg

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And Manufacturing Improving for Three Months Running

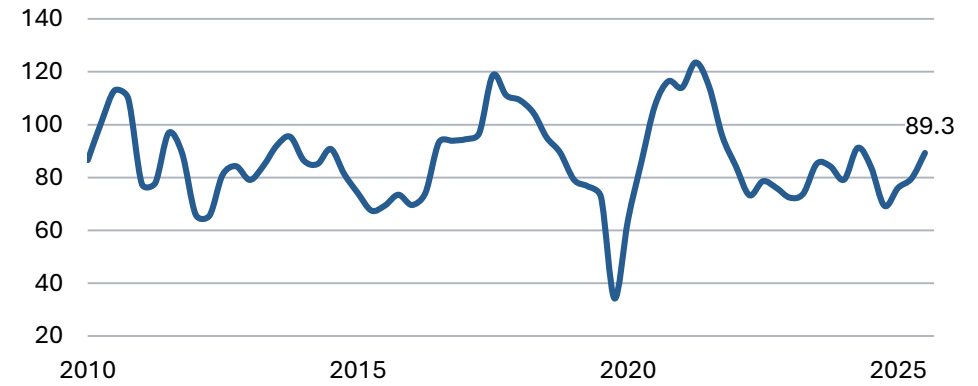
ISM MANUFACTURING

AS OF MARCH 31, 2026



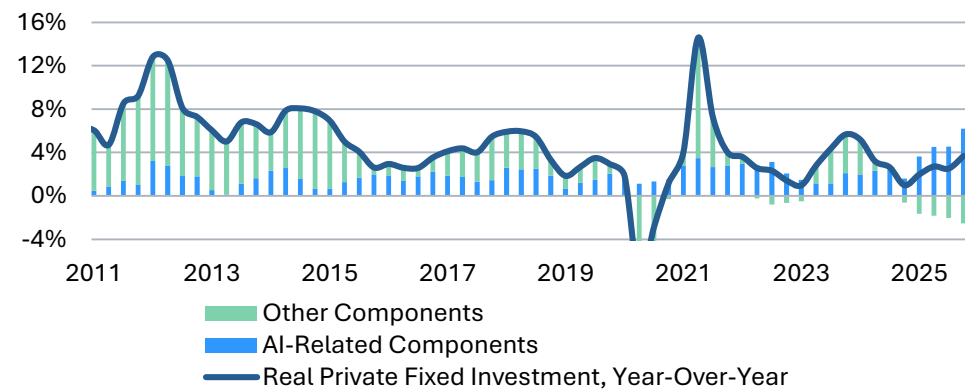
US ROUNDTABLE CEO ECONOMIC CONDITIONS SURVEY

AS OF MARCH 31, 2026



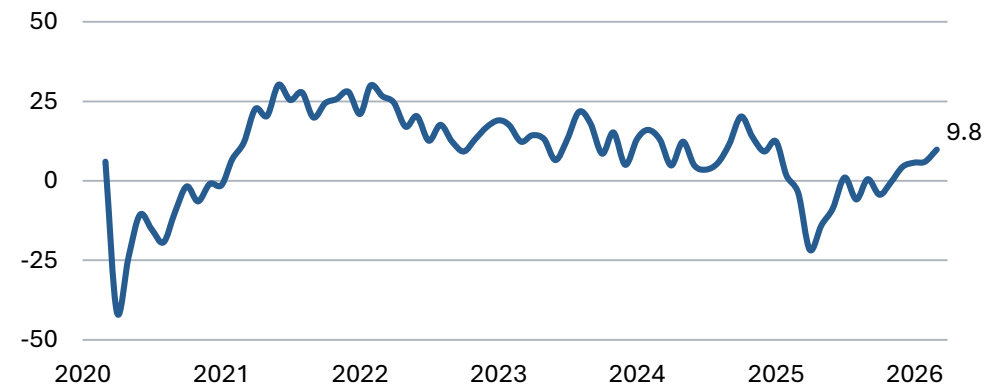
CONTRIBUTIONS TO REAL PRIVATE FIXED INVESTMENT

AS OF MARCH 31, 2026



CEO INTENTIONS OF CAPEX IN SIX MONTHS

AS OF MARCH 31, 2026



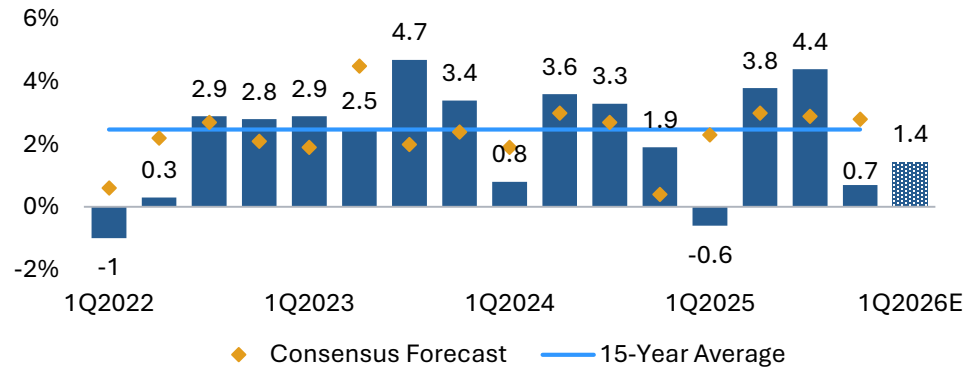
Source: Morgan Stanley Wealth Management GIO, Bloomberg, Pantheon Macro. Real private fixed investment chart truncated for COVID period lows.

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GDP Growth Is Poised to Rebound for Now

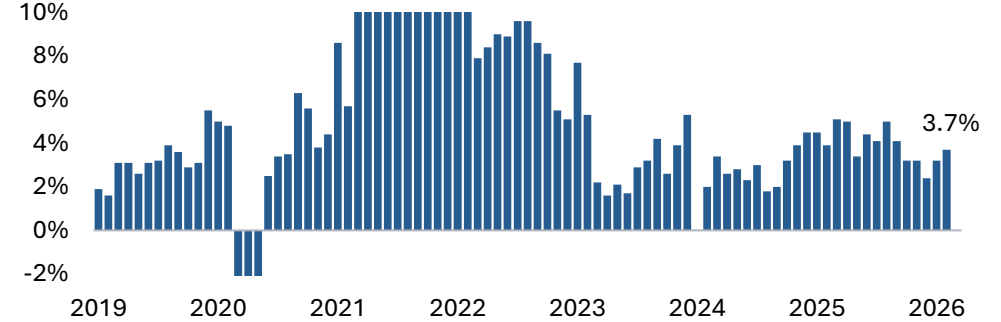
QUARTERLY REAL GDP (ANNUALIZED)

AS OF APRIL 6, 2026



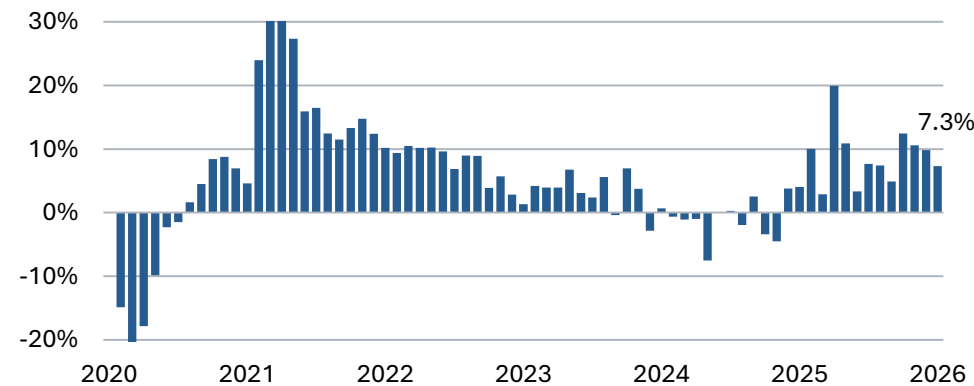
US RETAIL SALES, YEAR-OVER-YEAR

AS OF APRIL 1, 2026



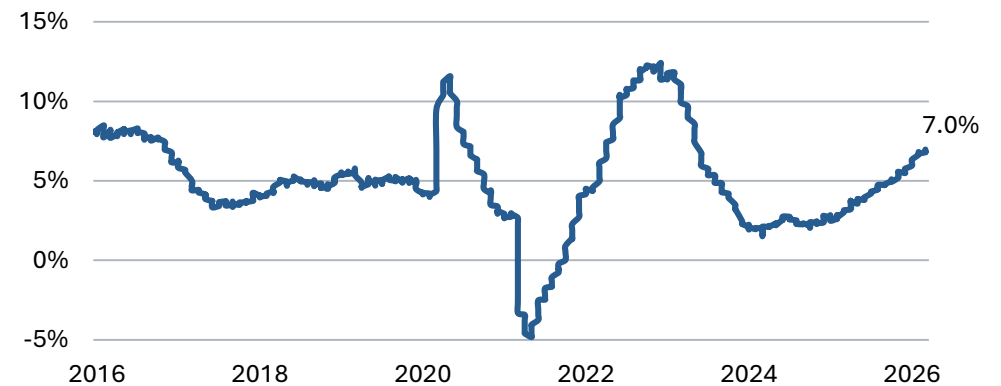
DURABLE GOODS ORDERS, YEAR-OVER-YEAR

AS OF APRIL 7, 2026



US BANK TOTAL LOANS, YEAR-OVER-YEAR

AS OF MARCH 31, 2026



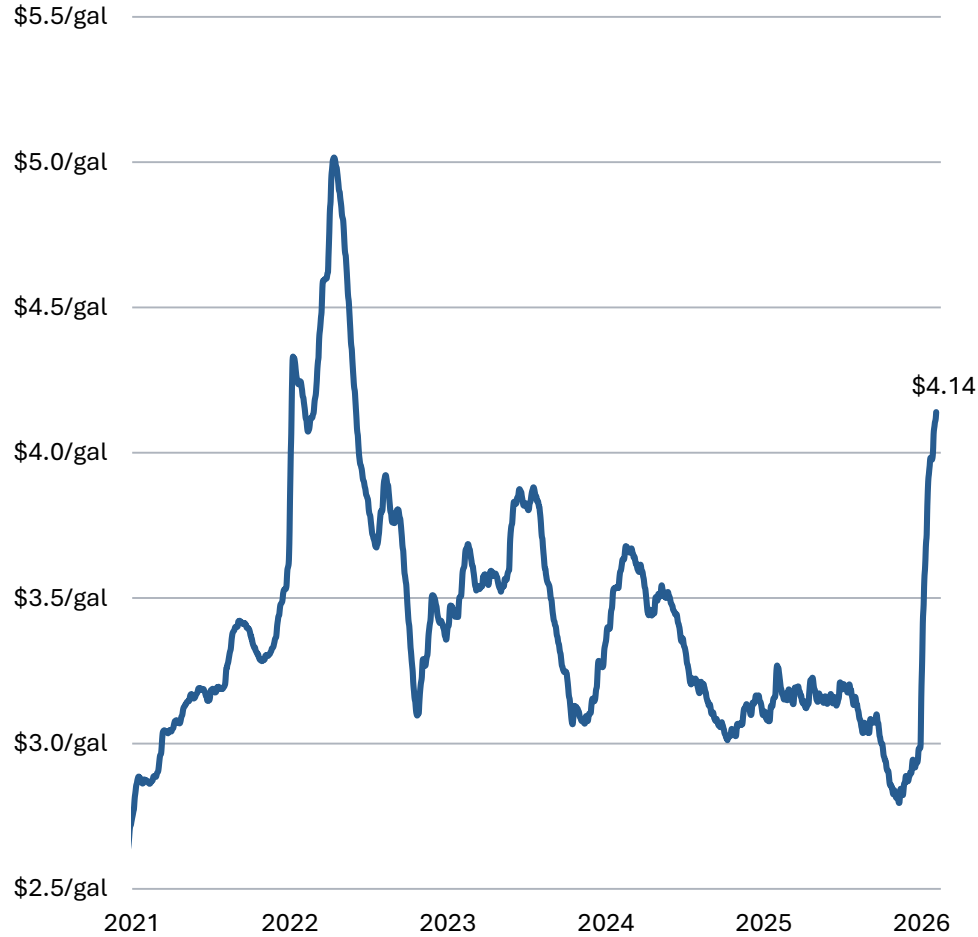
Source: Morgan Stanley Wealth Management GIO, Bloomberg. Note: 1Q2026 GDP estimates use the Atlanta Fed GDPNow Forecast. Retail sales and durable goods data truncated for COVID-era.

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But Stagflation Risk Is Rising

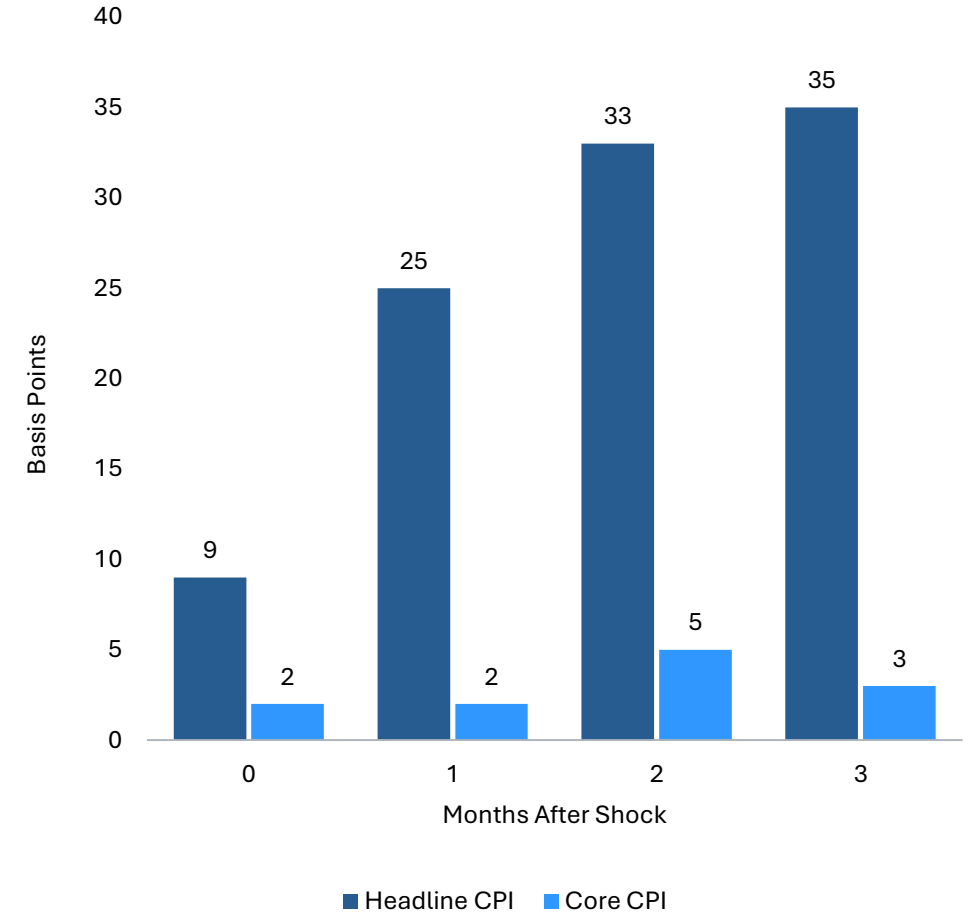
US NATIONAL AVERAGE PRICE/GALLON AAA

AS OF APRIL 6, 2026



CUMULATIVE CPI IMPACT OF A 10% OIL SUPPLY SHOCK

AS OF MARCH 31, 2026



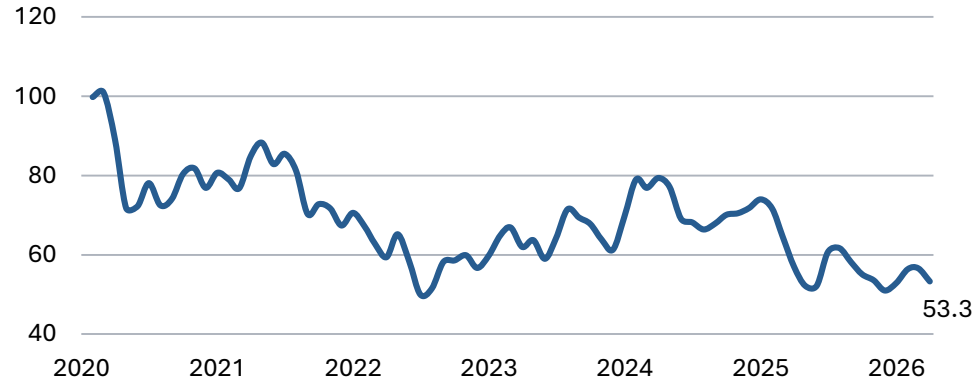
Source: Morgan Stanley Wealth Management GIO, MS & Co. Research, Bloomberg

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Is the Consumer Really Resilient?

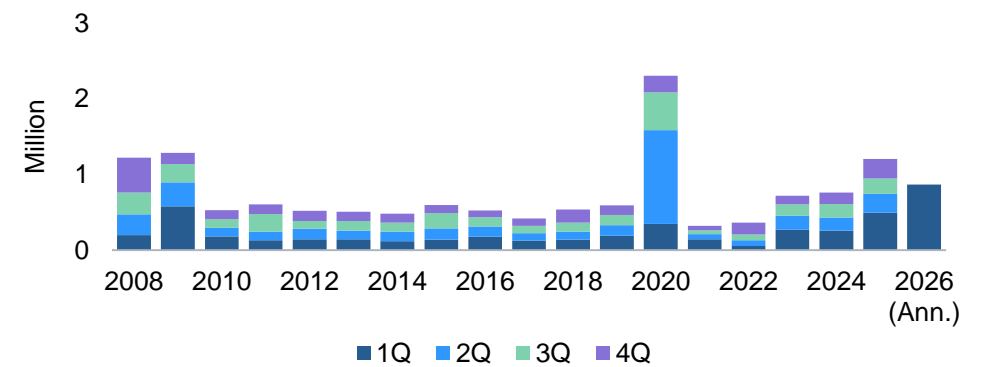
UNIVERSITY OF MICHIGAN CONSUMER CONFIDENCE

AS OF MARCH 31, 2026



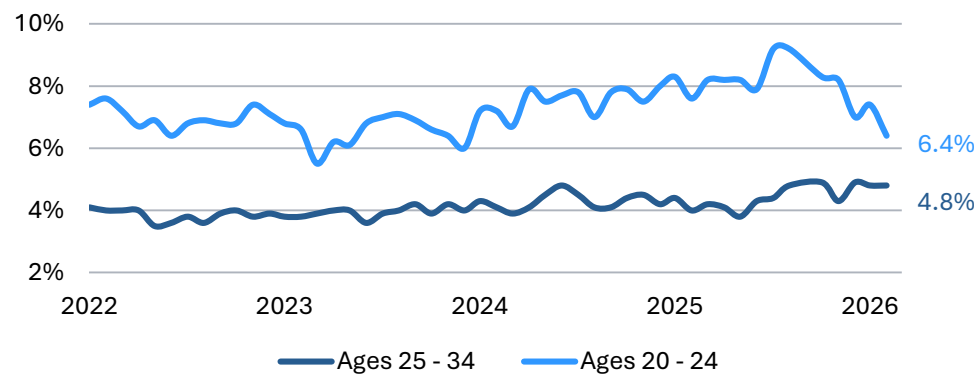
CHALLENGER LAYOFFS

AS OF MARCH 31, 2026



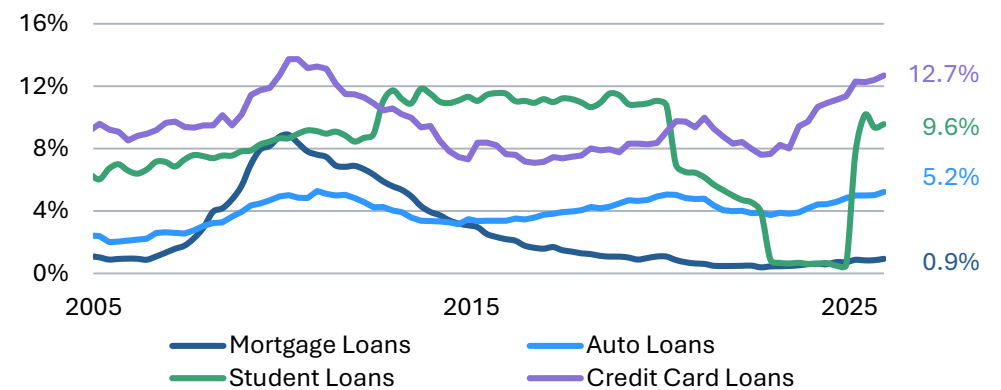
YOUTH UNEMPLOYMENT RATE

AS OF MARCH 31, 2026



OVER 90-DAY DELINQUENCY RATES

AS OF MARCH 31, 2026



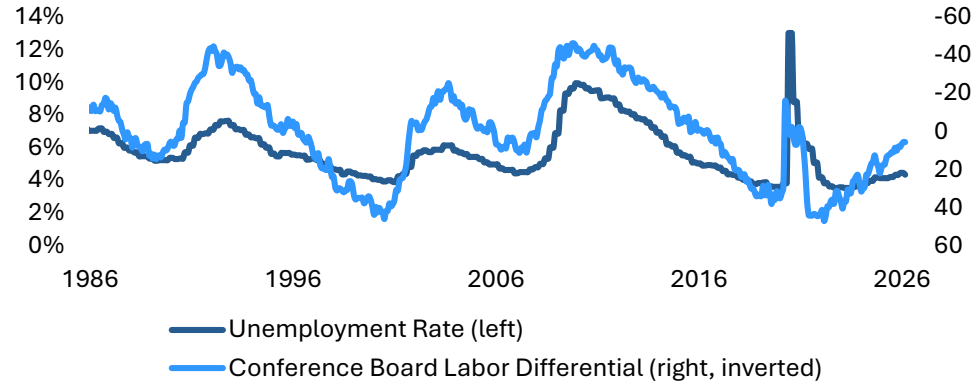
Source: Morgan Stanley Wealth Management GIO, Bloomberg

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For Consumers, Labor Market “Feels” Fragile

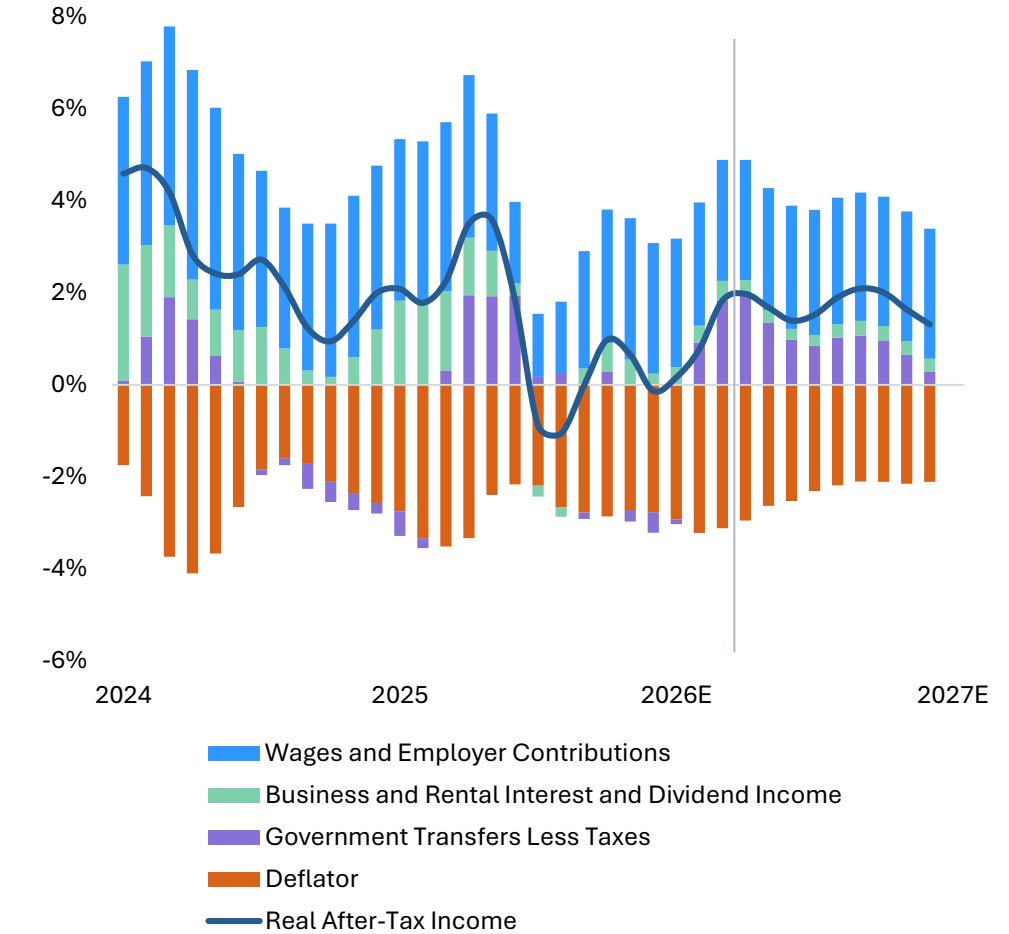
UNEMPLOYMENT RATE VS. LABOR DIFFERENTIAL

AS OF MARCH 31, 2026



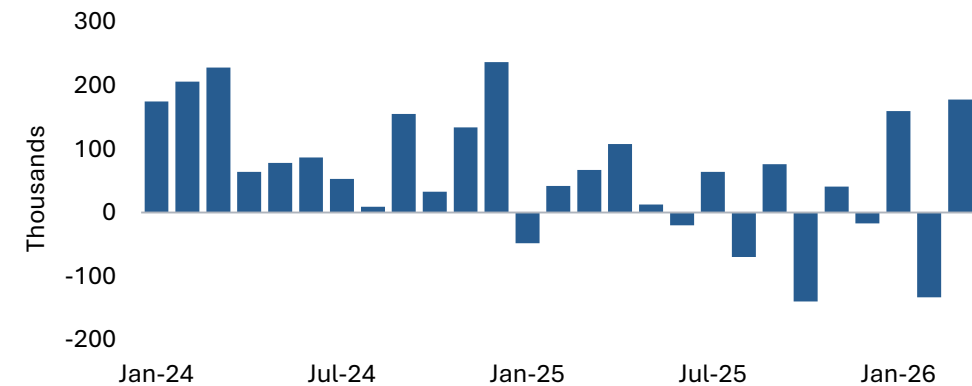
REAL AFTER-TAX INCOME, QUARTER OVER QUARTER (ANN.)

AS OF MARCH 31, 2026



US NON-FARM PAYROLLS

AS OF MARCH 31, 2026



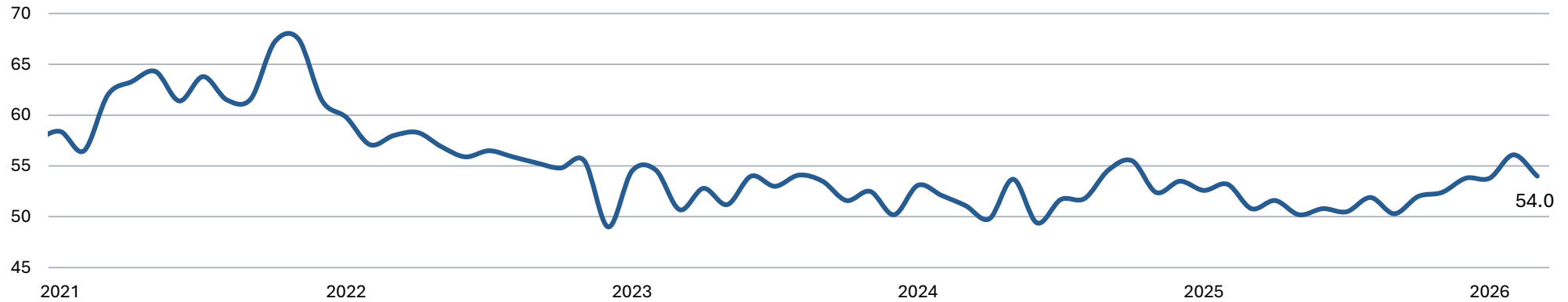
Source: Morgan Stanley Wealth Management GIO, MS & Co. Research, Pantheon Macro

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Why Stagflation?

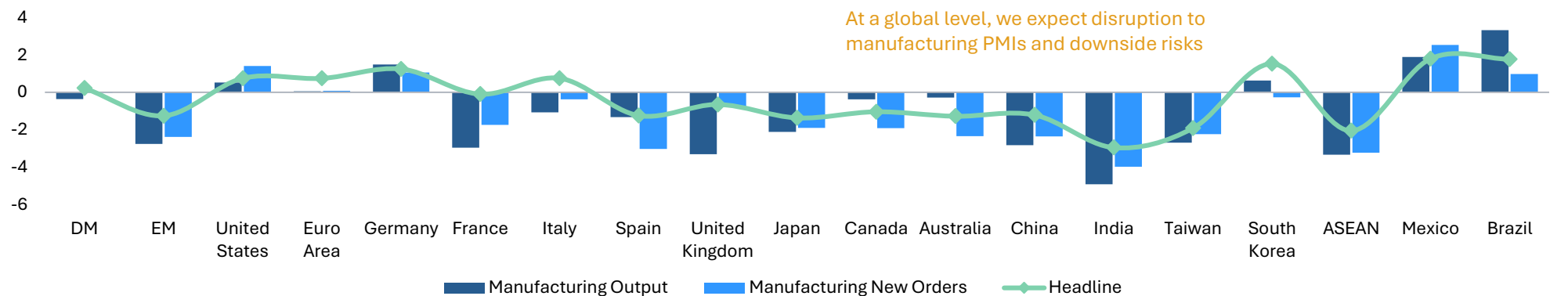
ISM SERVICES STALLING

AS OF MARCH 31, 2026



CHANGES TO MANUFACTURING PMI BETWEEN MARCH AND FEBRUARY

AS OF MARCH 31, 2026



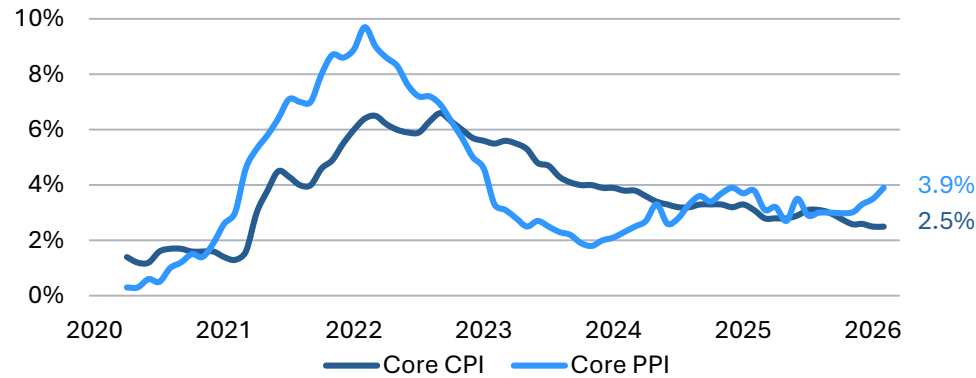
Source: Morgan Stanley Wealth Management GIO, MS & Co. Research

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Away From Oil, Inflation Readings Remain Sticky

US CORE PPI AND CPI YEAR-OVER-YEAR

AS OF MARCH 11, 2026



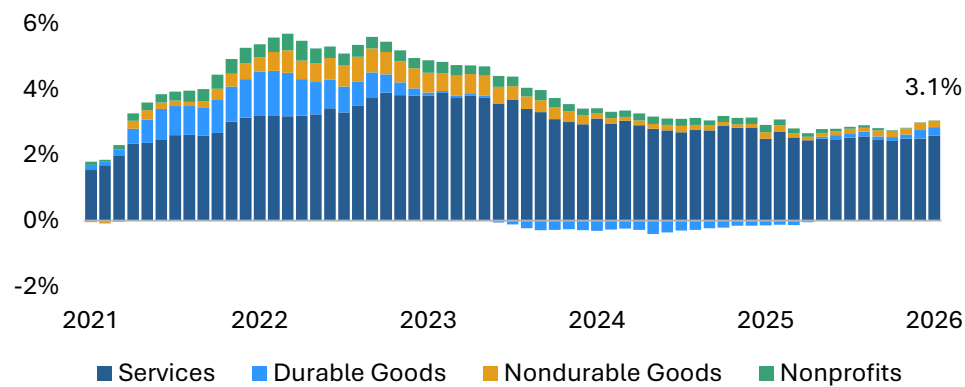
NEW YORK FED ONE-YEAR INFLATION EXPECTATIONS

AS OF MARCH 31, 2026



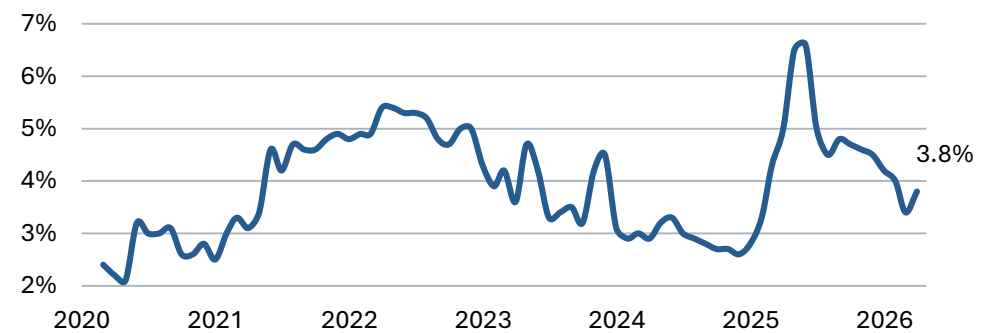
CONTRIBUTIONS TO CORE PCE, YEAR-OVER-YEAR

AS OF MARCH 13, 2026



UNIVERSITY OF MICHIGAN ONE-YEAR INFLATION EXPECTATIONS

AS OF MARCH 31, 2026



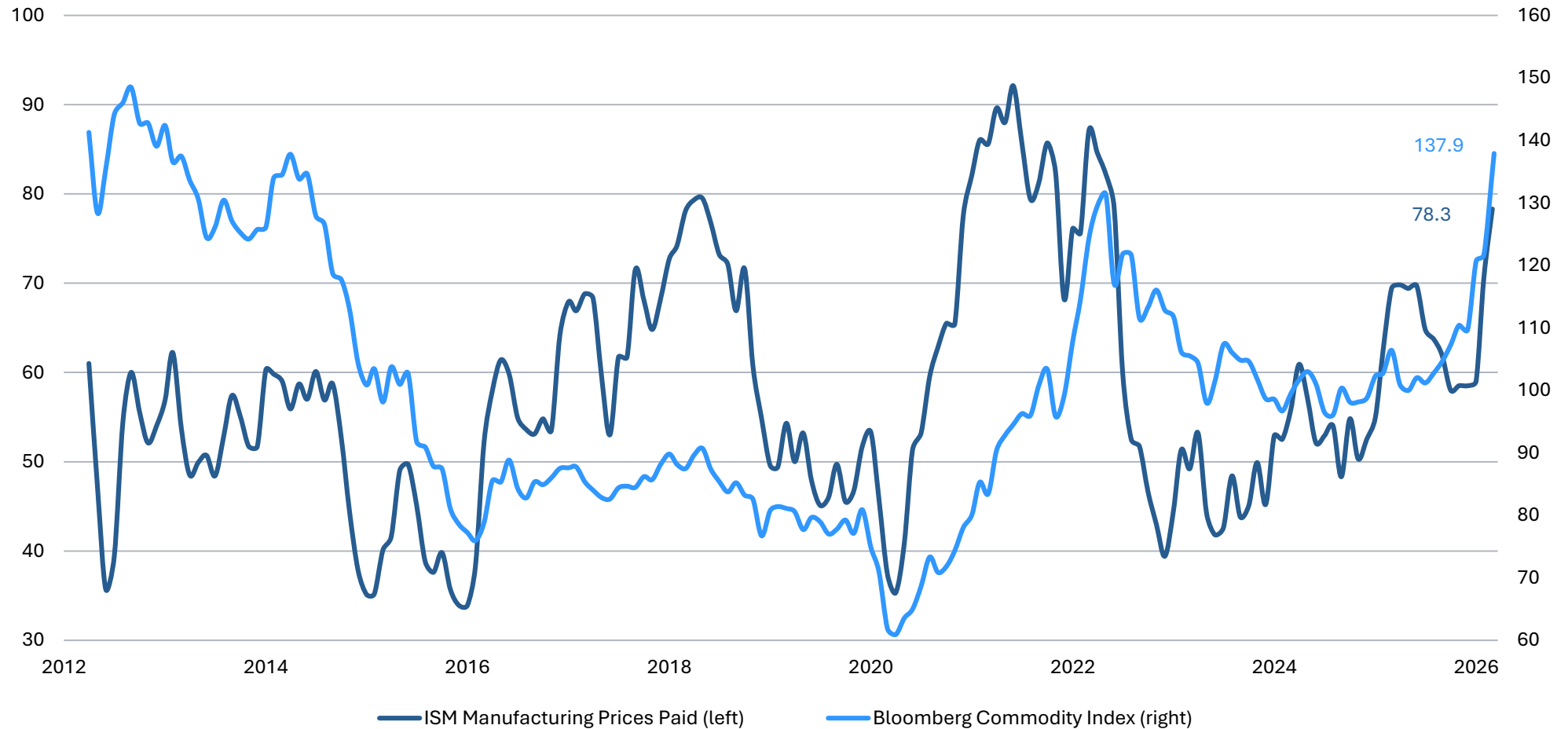
Source: Morgan Stanley Wealth Management GIO, Bloomberg

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And “War” on Top of Tariffs May Push Us to “Run It Even Hotter”

ISM MANUFACTURING PRICES PAID COMPONENT VS. BLOOMBERG COMMODITY INDEX

AS OF APRIL 6, 2026



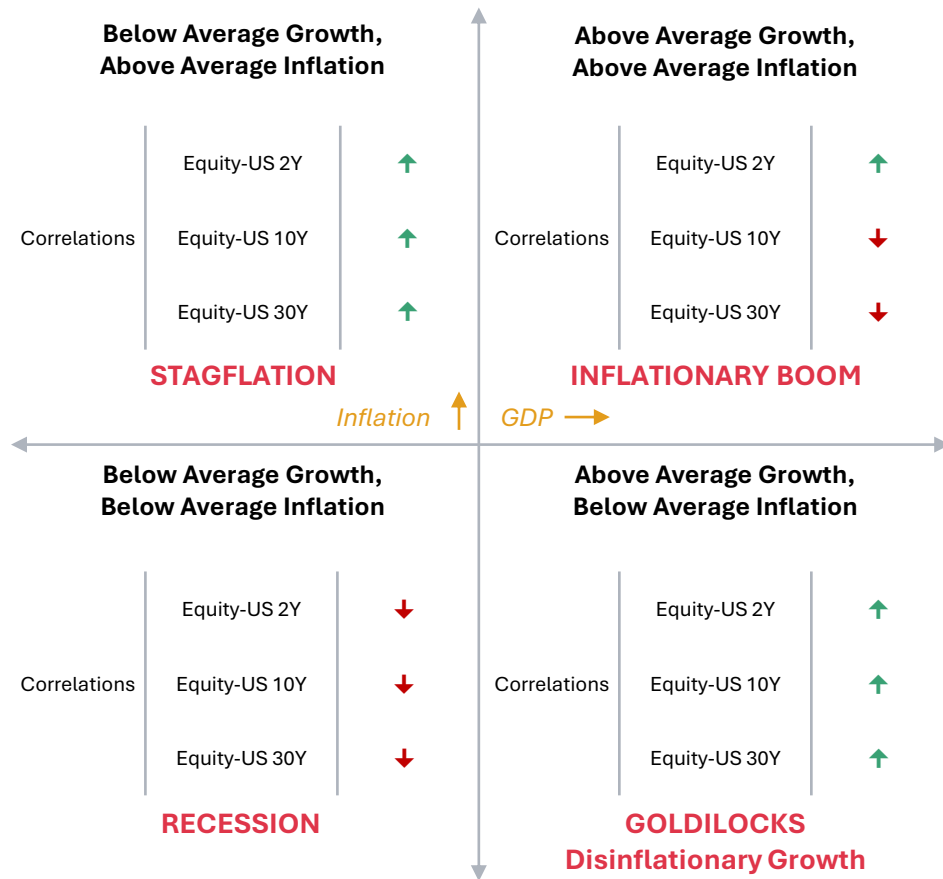
Source: Morgan Stanley Wealth Management GIO, Bloomberg

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Risk Is Stagflation and/or Higher Debts and Deficits

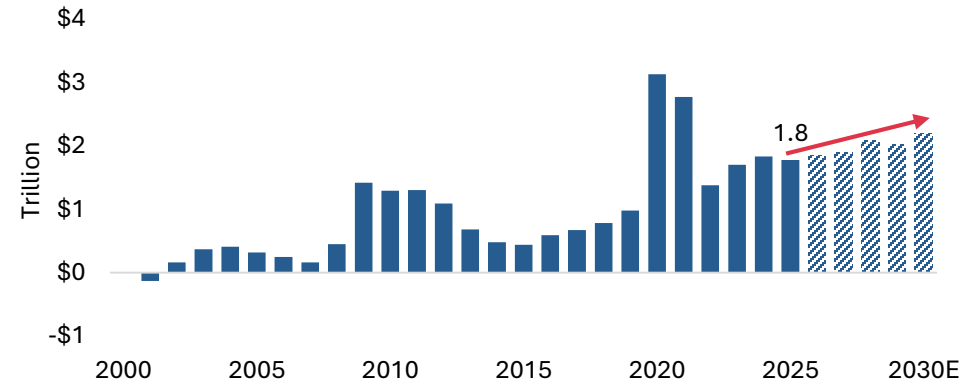
CROSS-ASSET CORRELATIONS BY ECONOMIC SCENARIO

AS OF MARCH 31, 2026



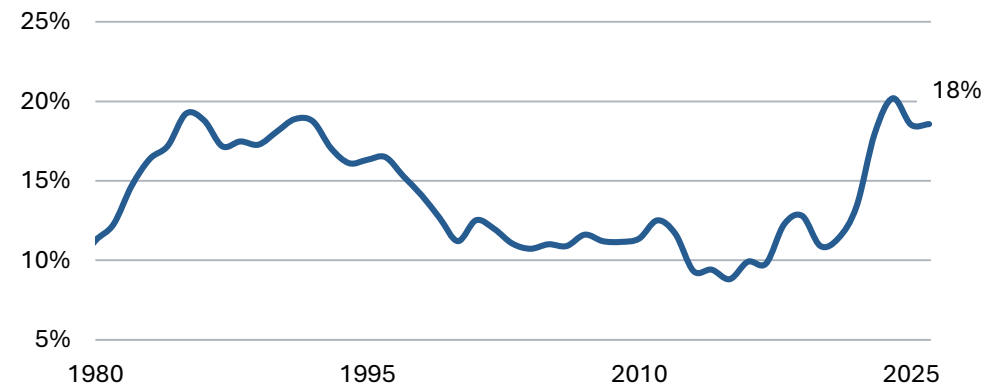
US BUDGET DEFICIT PROJECTIONS

AS OF MARCH 31, 2026



US INTEREST PAYMENTS AS A SHARE OF REVENUE

AS OF MARCH 31, 2026



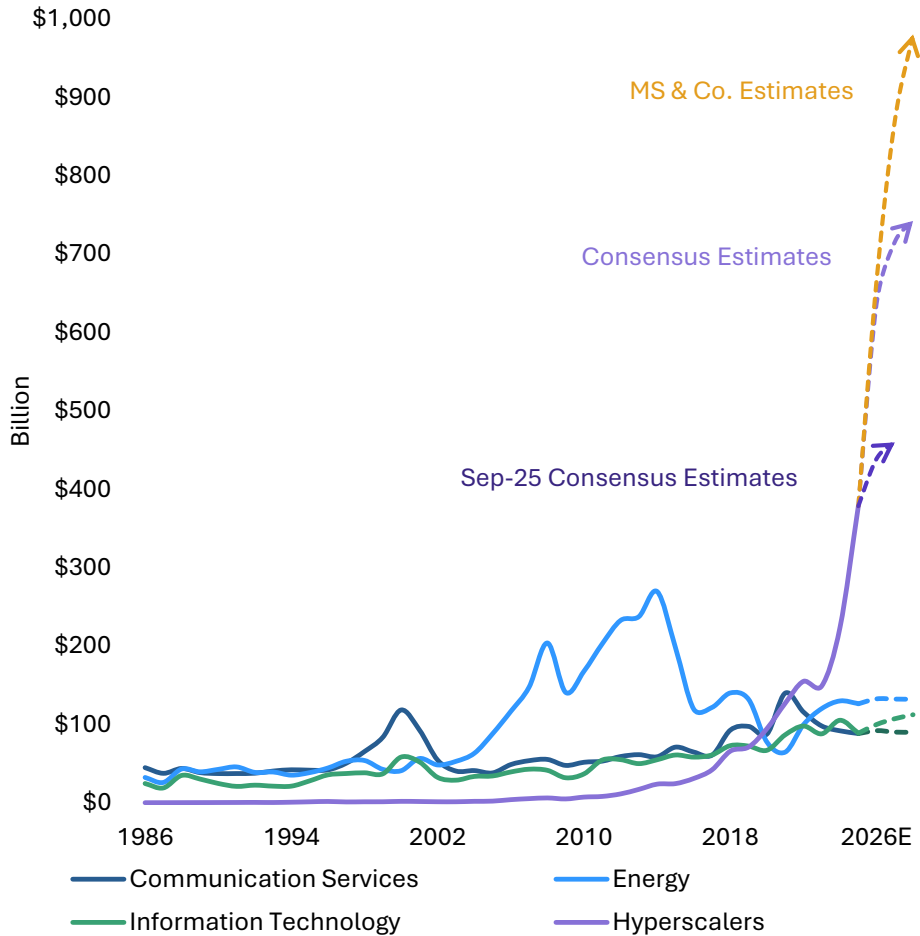
Source: Morgan Stanley Wealth Management GIO, MS & Co. Research, Congressional Budget Office (CBO), World Bank

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AI Capex Forecasts Are Still Accelerating

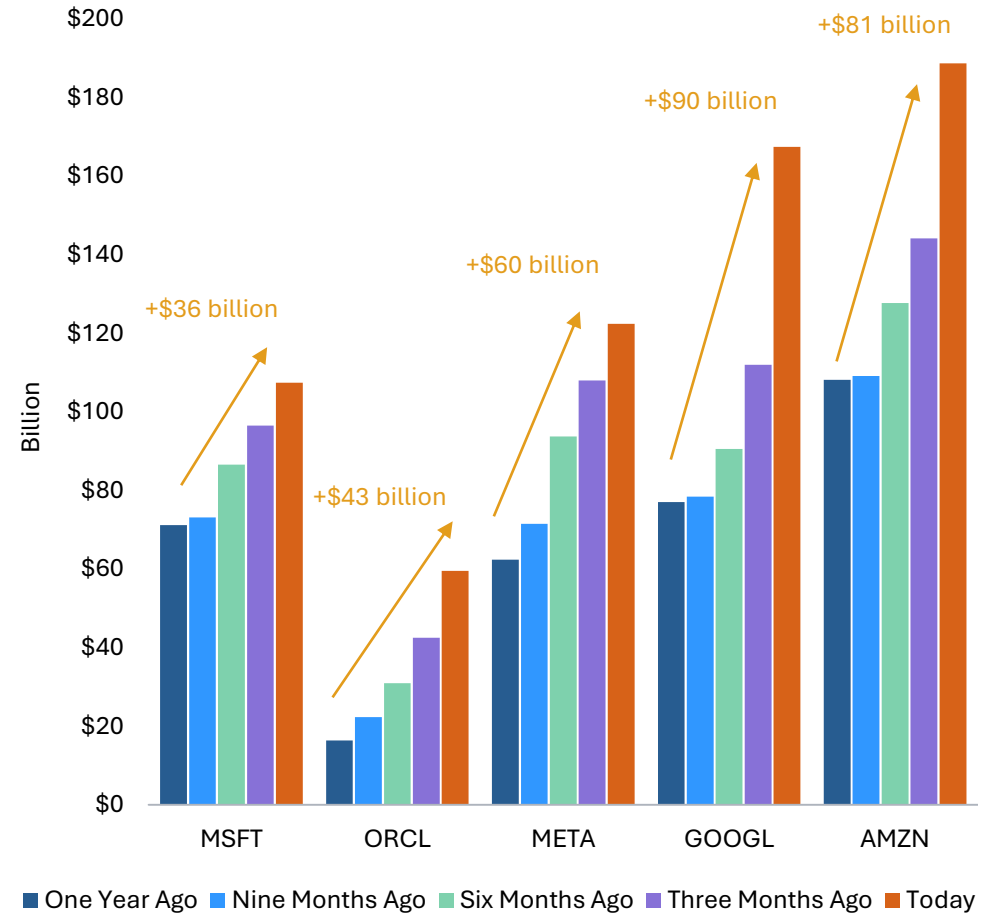
CAPITAL EXPENDITURE

AS OF MARCH 31, 2026



2026 CONSENSUS CAPEX ESTIMATE REVISIONS

AS OF MARCH 31, 2026



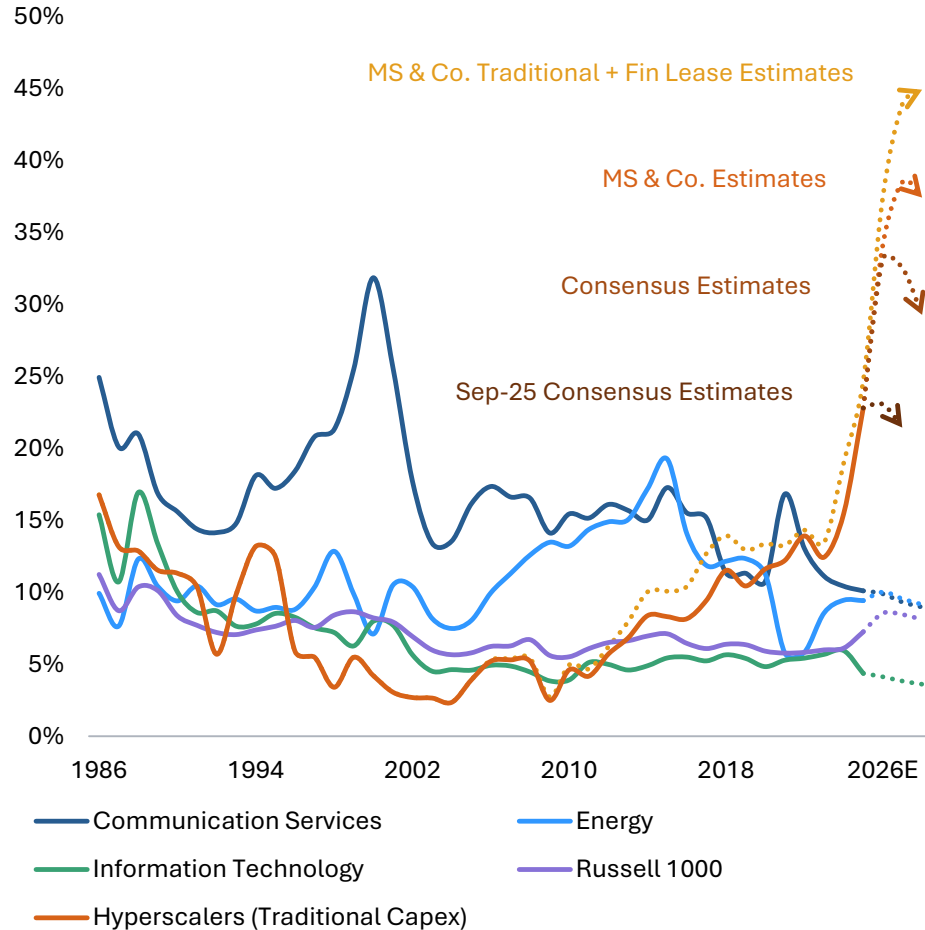
Source: Morgan Stanley Wealth Management GIO, MS & Co. Research

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Peak AI Capex? Now More Capital Intense Than DotCom and More Important to GDP

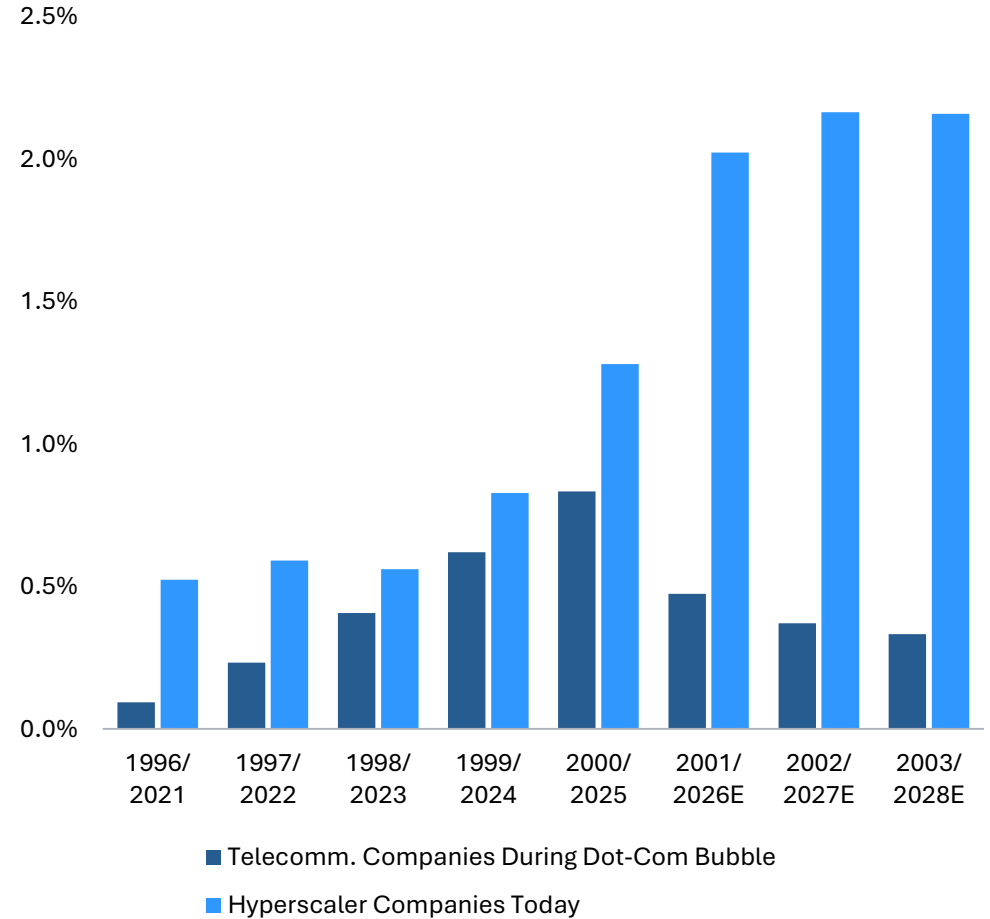
CAPEX-TO-SALES

AS OF MARCH 31, 2026



CAPITAL EXPENDITURE AS A SHARE OF GDP

AS OF MARCH 31, 2026



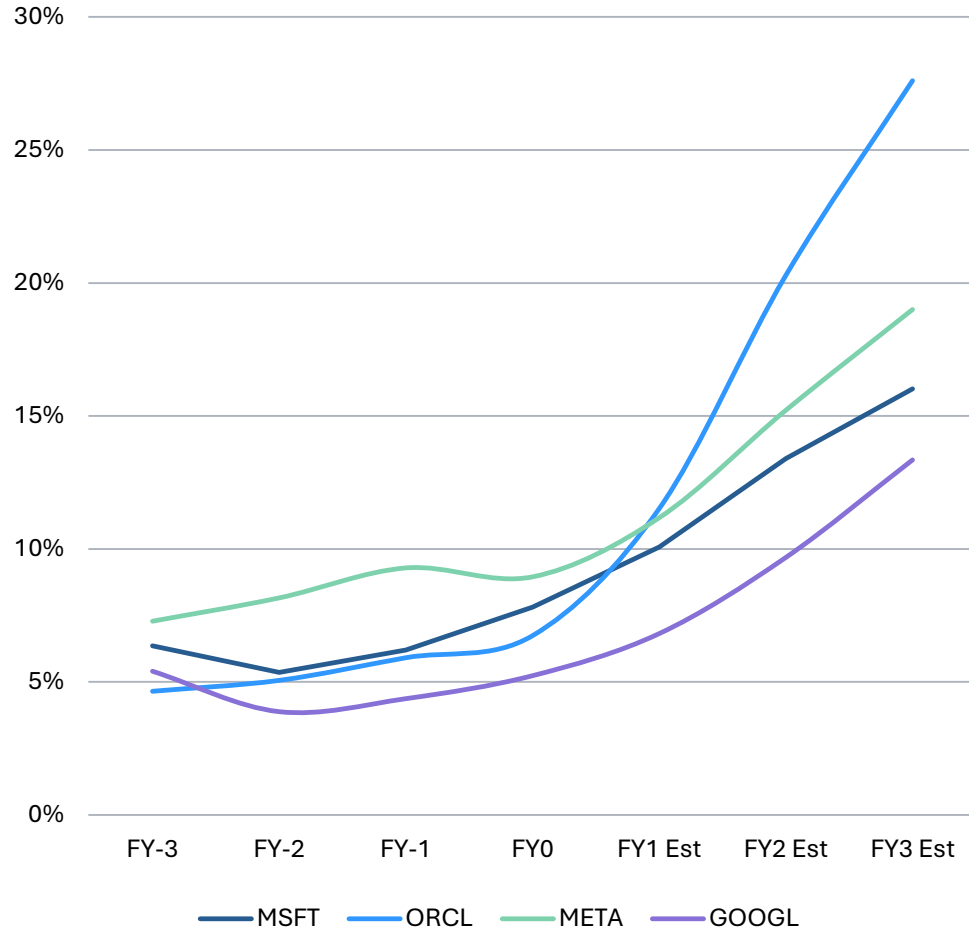
Source: Morgan Stanley Wealth Management GIO, Apollo Global Management, MS & Co. Research and consensus estimates

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Depreciation Pressures Other Expense Base

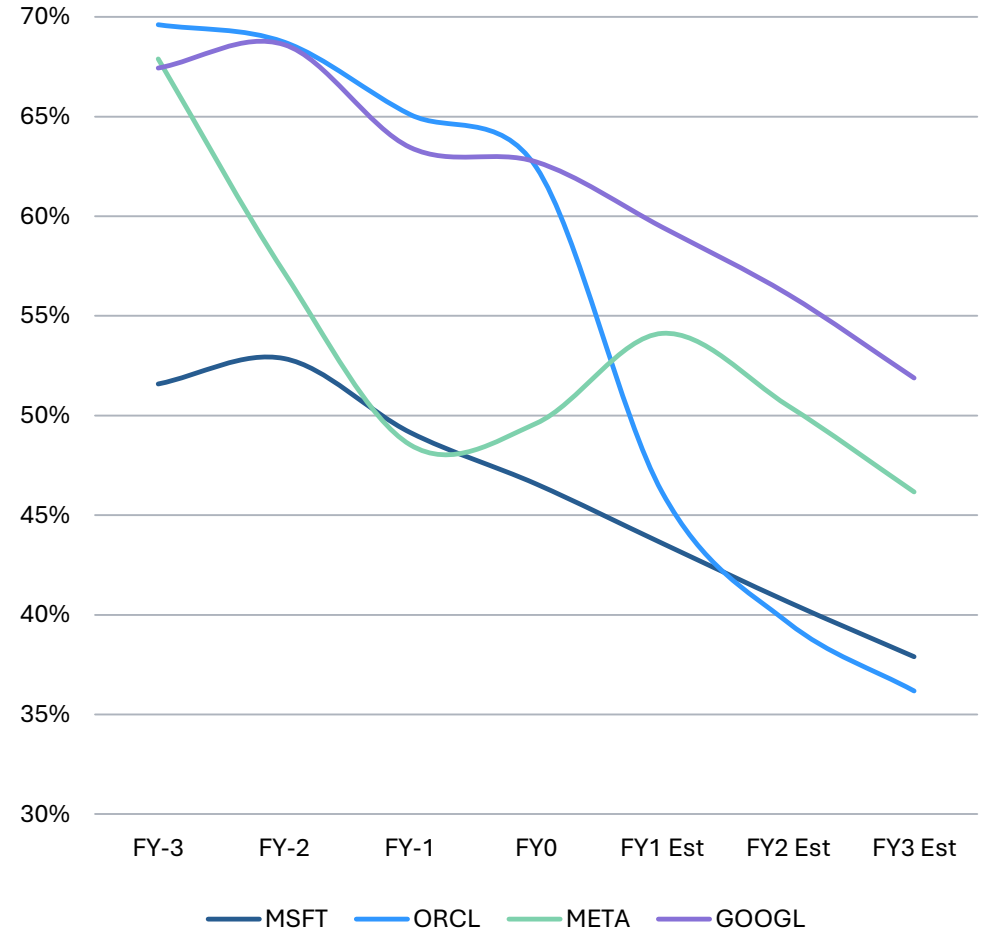
DEPRECIATION AS A SHARE OF REVENUE

AS OF MARCH 31, 2026



ALL EXPENSES EX-DEPRECIATION AS A SHARE OF REVENUE

AS OF MARCH 31, 2026



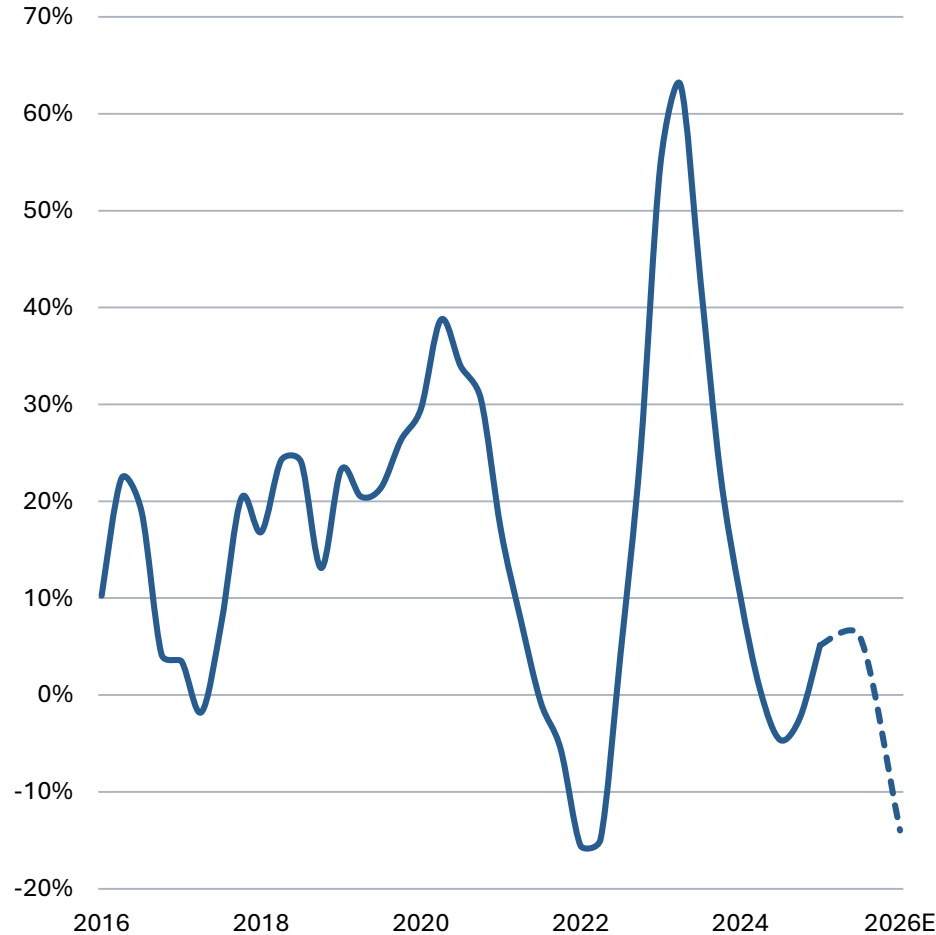
Source: Morgan Stanley Wealth Management GIO, MS & Co. Research. Estimates are from MS & Co. Research.

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Hyperscaler Free Cash Flow Growth Negative; Debt Financing Increasing

MAG 7 FREE CASH FLOW, YEAR-OVER-YEAR

AS OF MARCH 31, 2026



ORACLE OAS TO 10-YEAR SWAP CURVE

AS OF APRIL 6, 2026



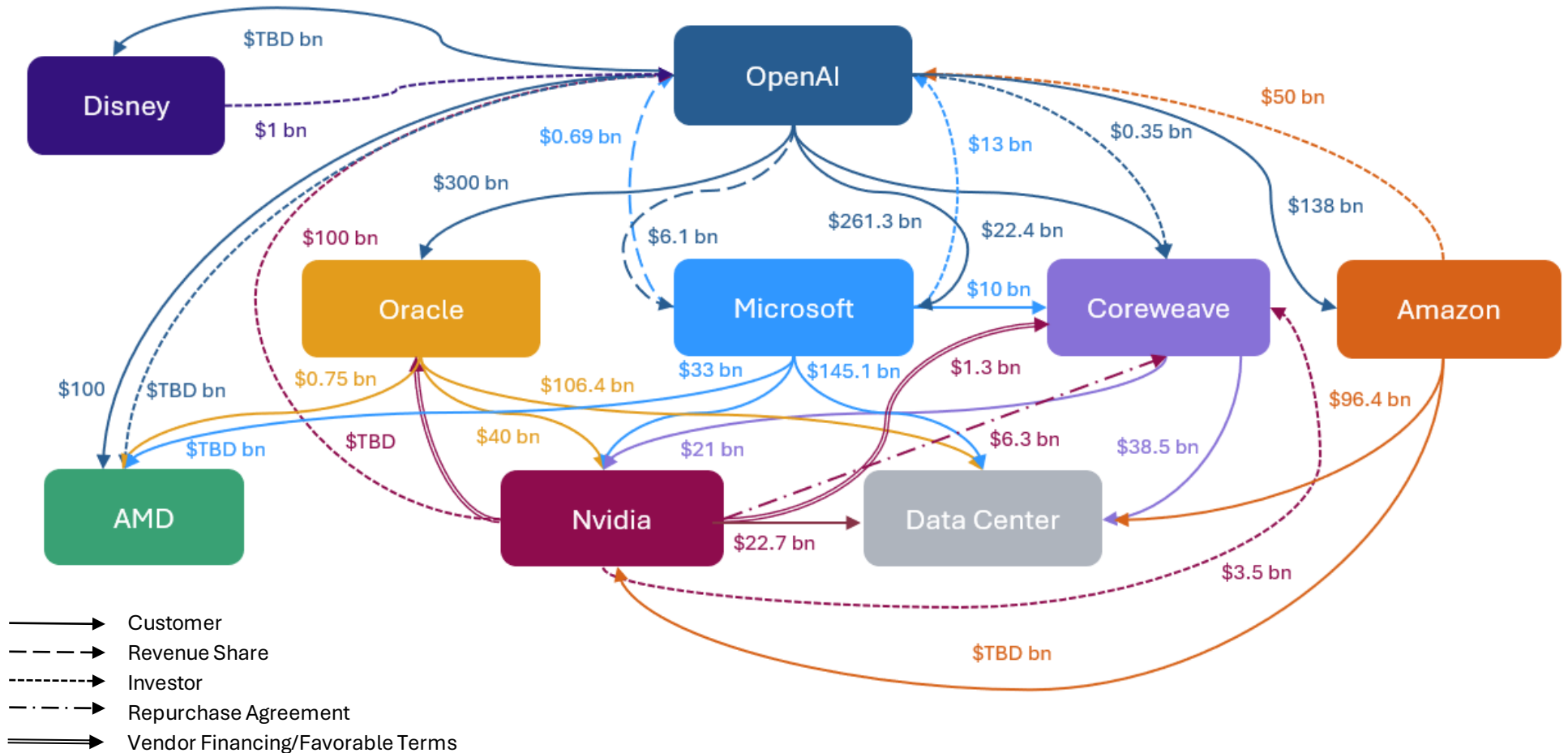
Source: Morgan Stanley Wealth Management GIO estimates, Bloomberg, Strategas. Option-adjusted spread (OAS) is a measurement of the spread of a fixed income security rate and the risk-free rate of return, which is adjusted to take into account an embedded option.

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Risk Is Increasing Circularity

AI ECOSYSTEM CAPITAL FLOWS

AS OF MARCH 31, 2026



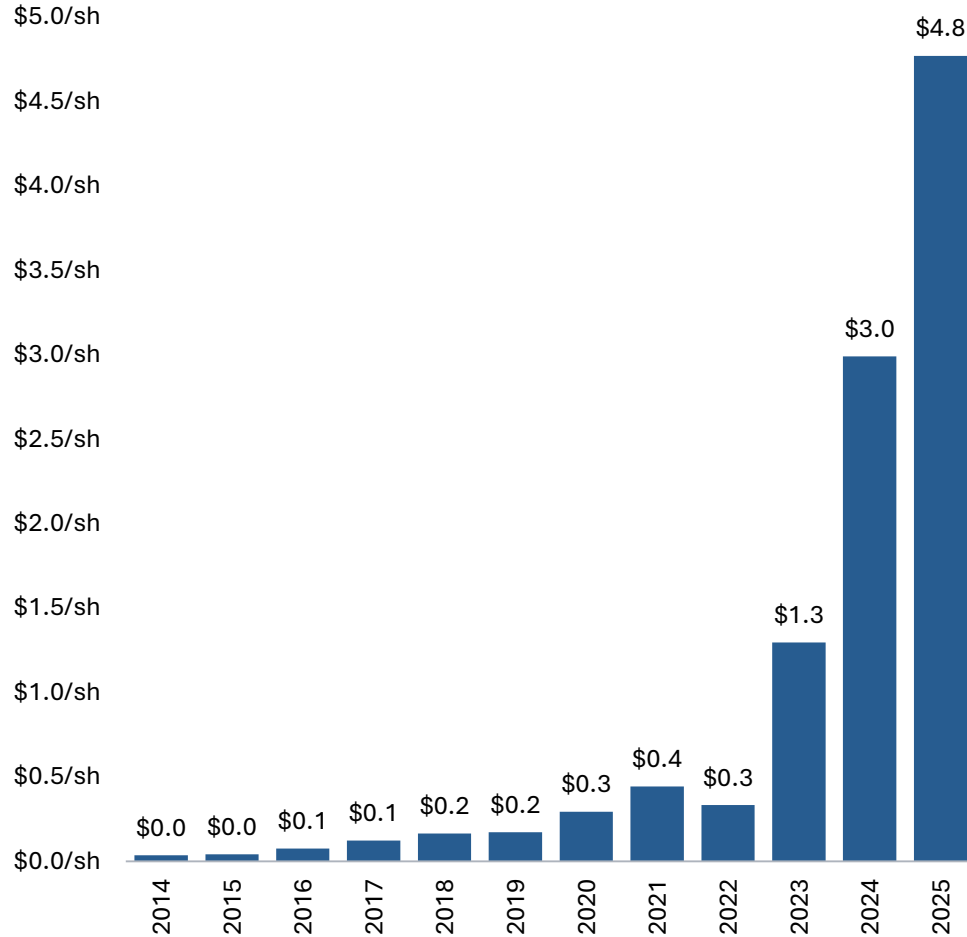
Source: Morgan Stanley Wealth Management GIO, MS & Co Research, "AI: Mapping the AI Ecosystem," March 22, 2026.

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Semiconductors Ultimately Trade on Normalized Earnings

NVIDIA ANNUAL EARNINGS PER SHARE

AS OF MARCH 31, 2026



SEMICONDUCTOR SECTOR TRAILING P/E RATIO

AS OF APRIL 6, 2026



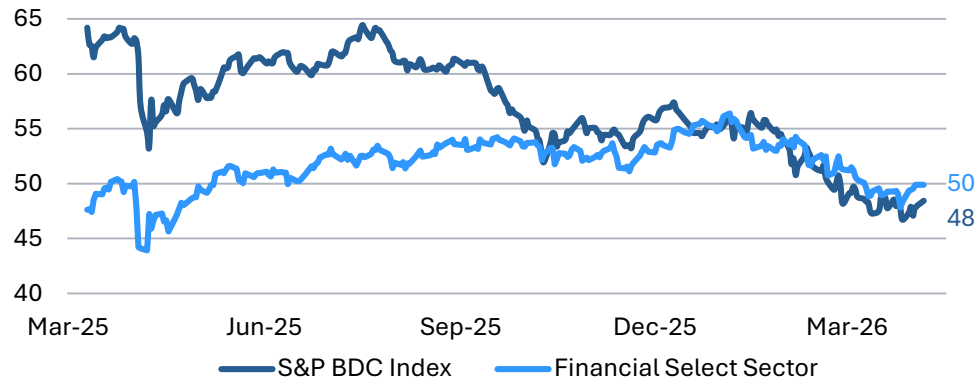
Source: Morgan Stanley Wealth Management GIO, Bloomberg

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Weakness in Financials About Private Credit Contagion and Flatter Yield Curve

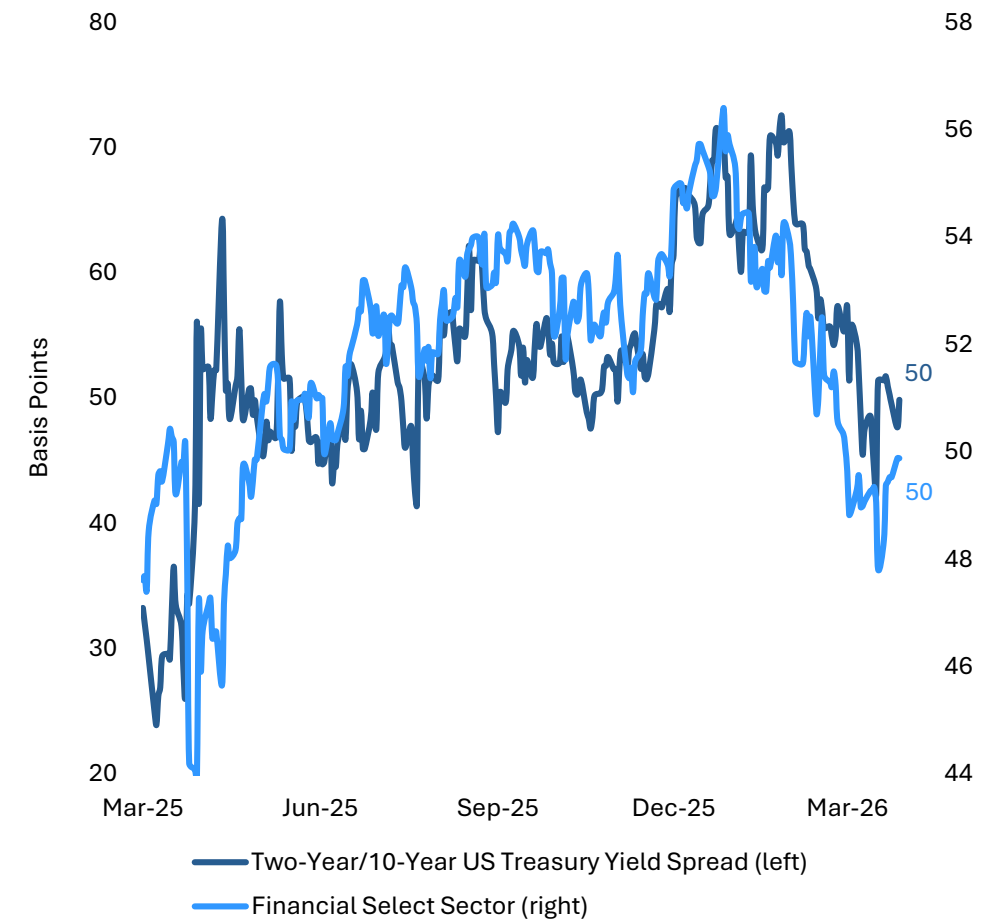
BANKS AND BDC WEAKNESS NOW CORRELATED

AS OF APRIL 6, 2026



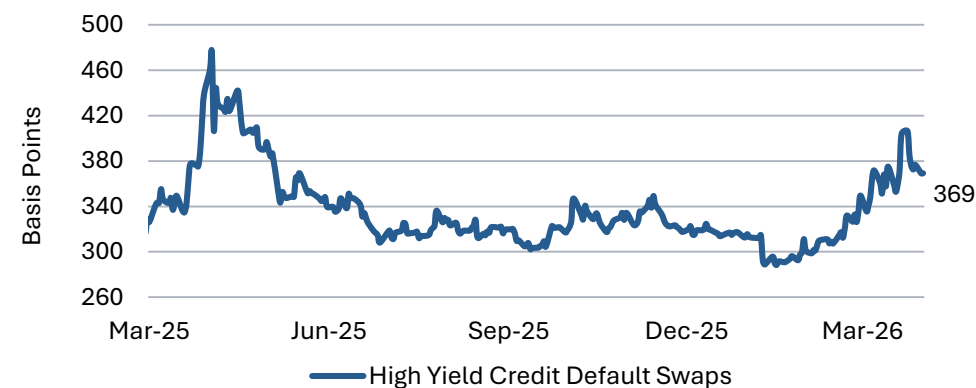
BANKS HAVE DECLINED WITH THE FLATTER 2S/10S

AS OF APRIL 6, 2026



HIGH YIELD CREDIT DEFAULT SWAPS HAVE WIDENED

AS OF APRIL 6, 2026



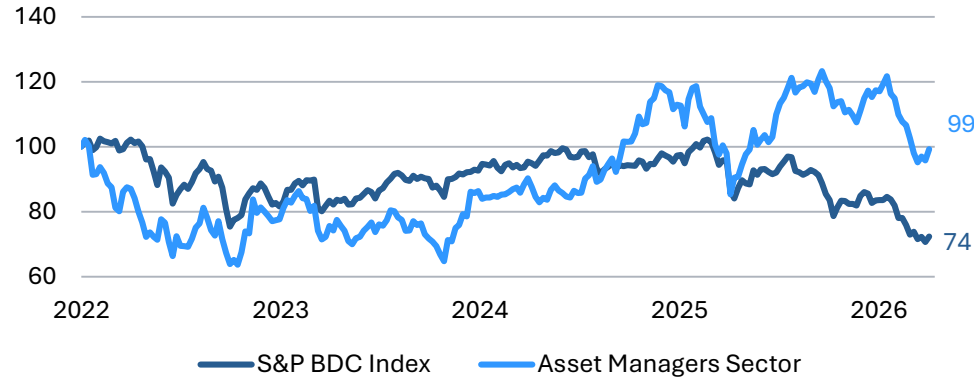
Source: Morgan Stanley Wealth Management GIO, Bloomberg

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The Meltdown in Private Credit Is Mostly About Software

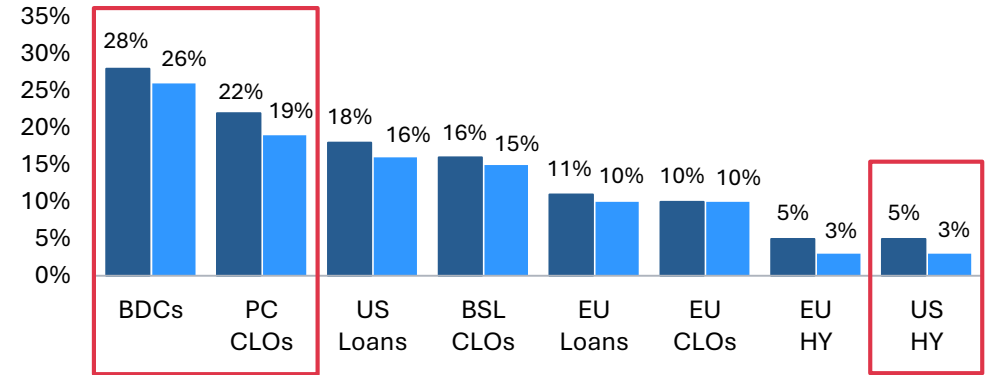
S&P BDC INDEX VS. ASSET MANAGERS SECTOR

AS OF APRIL 3, 2026 (JANUARY 1, 2022 = 100)



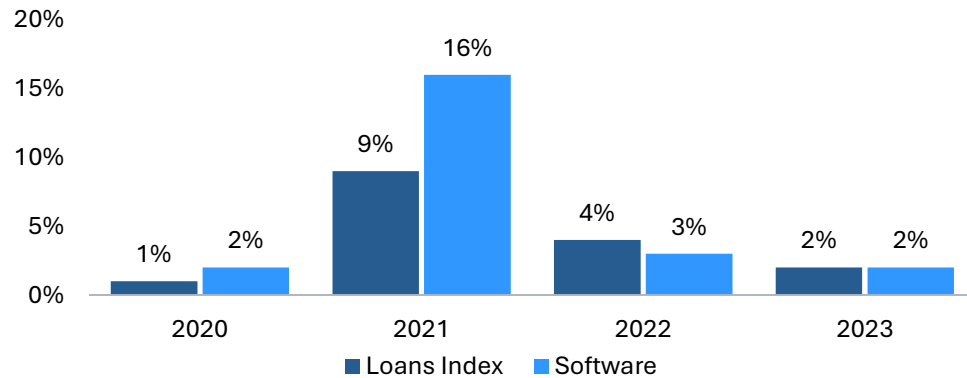
SOFTWARE AND TECH EXPOSURE IN LEVERAGED CREDIT

AS OF MARCH 31, 2026



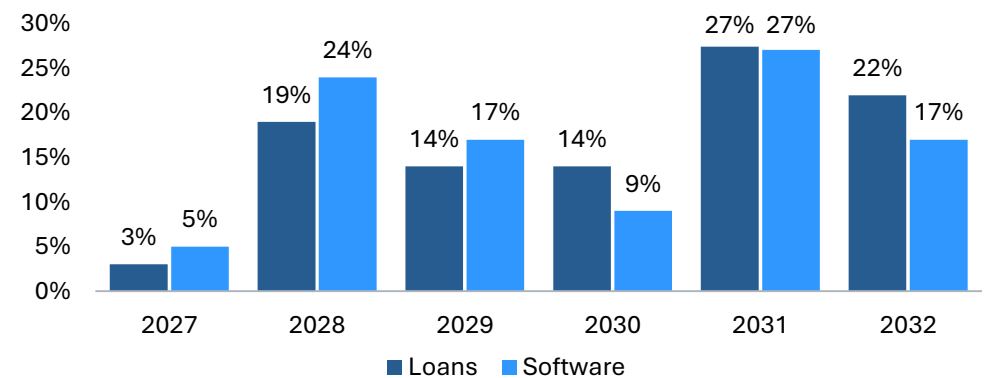
SHARE OF DEBT UNDERWRITTEN BY VINTAGE

AS OF MARCH 31, 2026



SHARE OF DEBT MATURING BY YEAR

AS OF MARCH 31, 2026



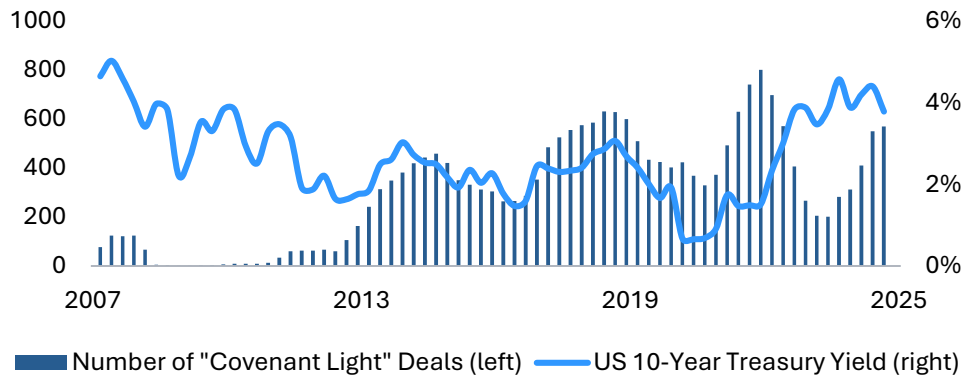
Source: Morgan Stanley Wealth Management GIO, MS & Co. Research

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The Stress Is Too Fast Growth, Cov-Lite, PIK, and Software

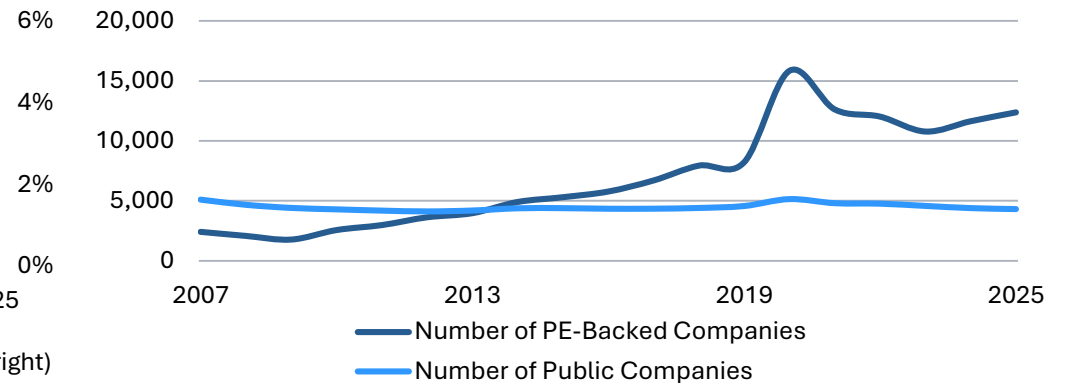
“COVENANT LIGHT” LEVERAGED LOANS VS. 10Y UST YIELD

AS OF MARCH 31, 2026



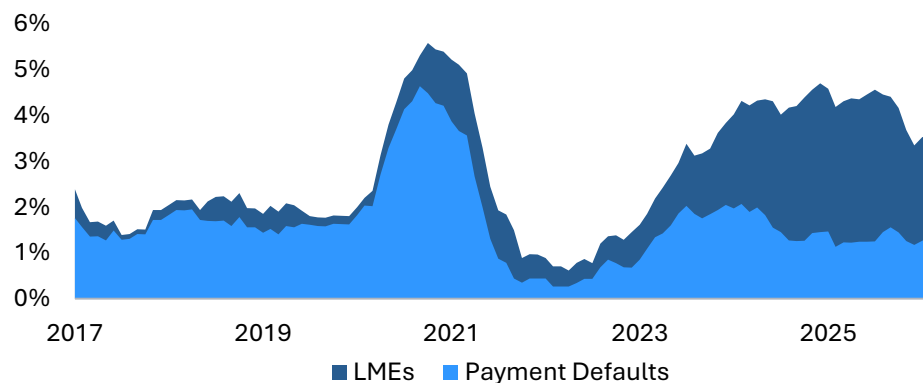
US PE-BACKED COMPANIES VS. PUBLIC COMPANIES

AS OF MARCH 31, 2026



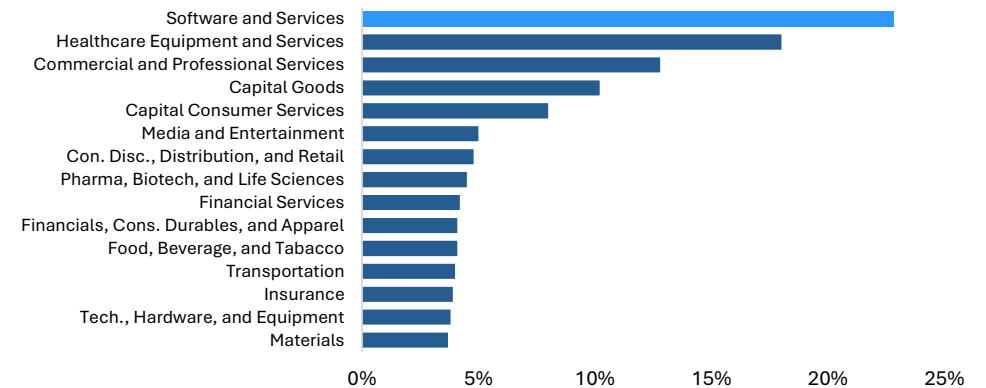
LEVERAGED LOANS TRAILING 12-MONTH DEFAULT RATE

AS OF MARCH 31, 2026



SHARE OF PIK INCOME ACROSS BDCs

AS OF MARCH 31, 2026



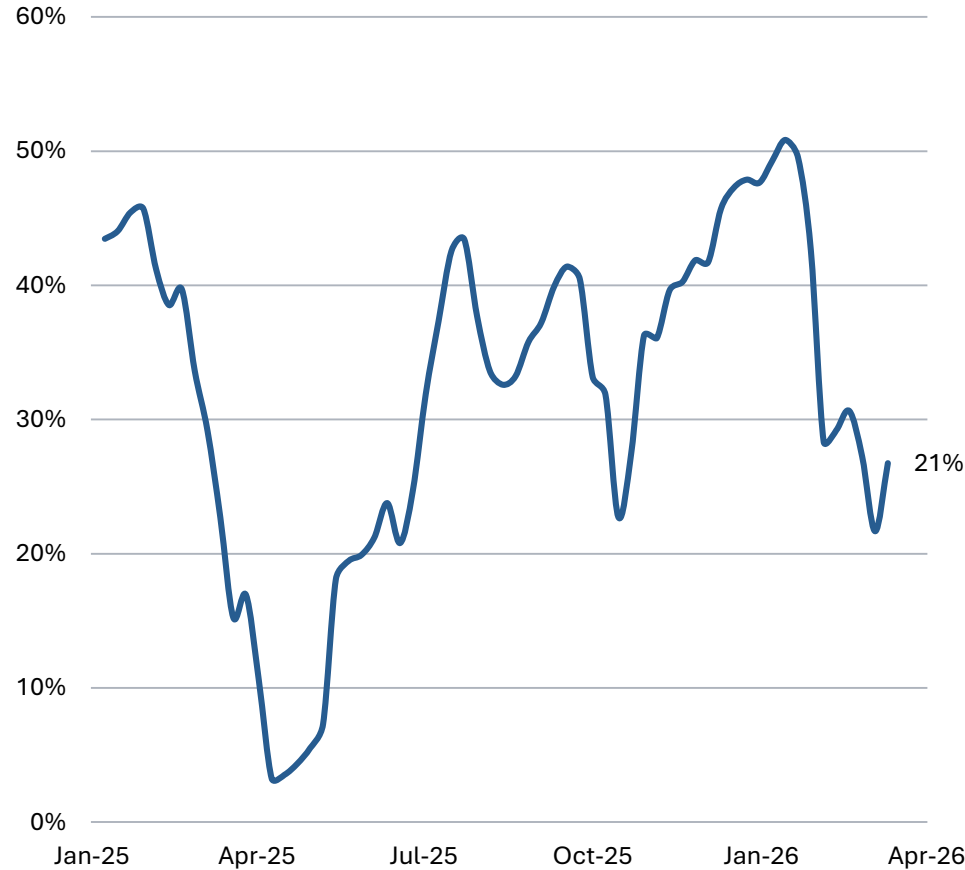
Source: Morgan Stanley Wealth Management GIO, MS & Co. Research, BCA Research. Note: Number of “covenant light” leveraged loans is the four-quarter moving average. Figures reflect the most recently available data and are for illustrative purposes only. PIK = payment-in-kind.

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Now, the Issue Is Not Just Defaults - It Is Loan to Value

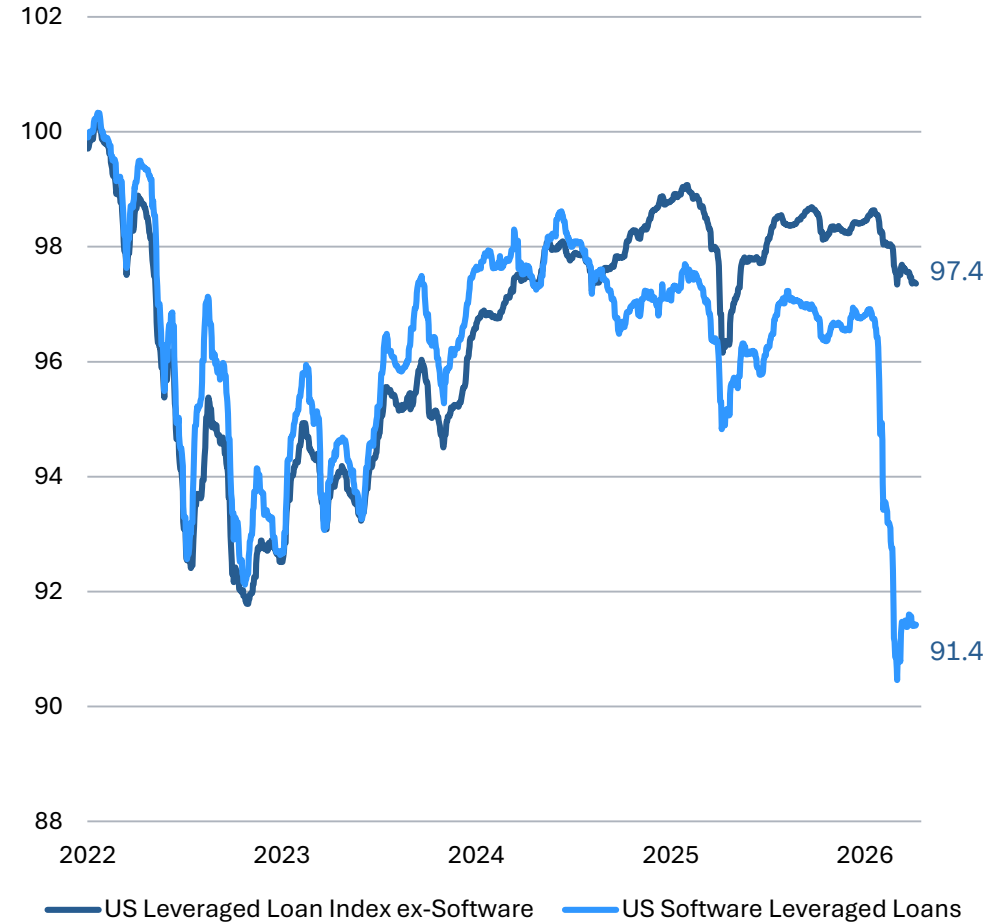
SHARE OF US LEVERAGED LOANS PRICED AT PAR OR ABOVE

AS OF APRIL 7, 2026



US LEVERAGED LOANS PRICE

AS OF APRIL 7, 2026



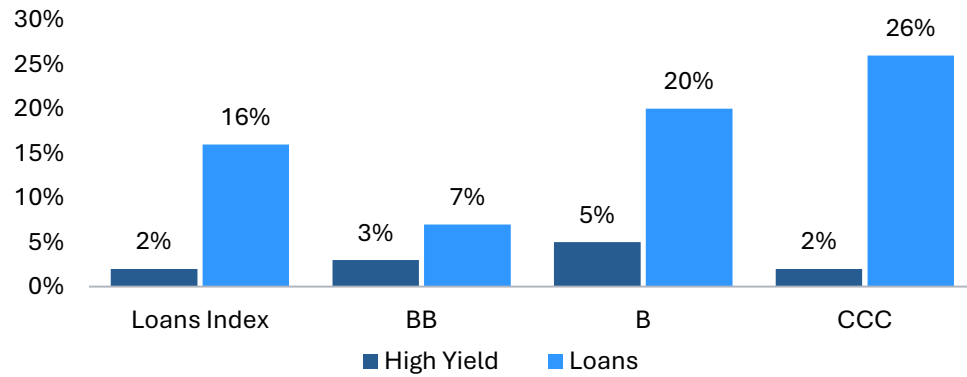
Source: Morgan Stanley Wealth Management GIO, Bloomberg

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High Yield Is Much Less Exposed

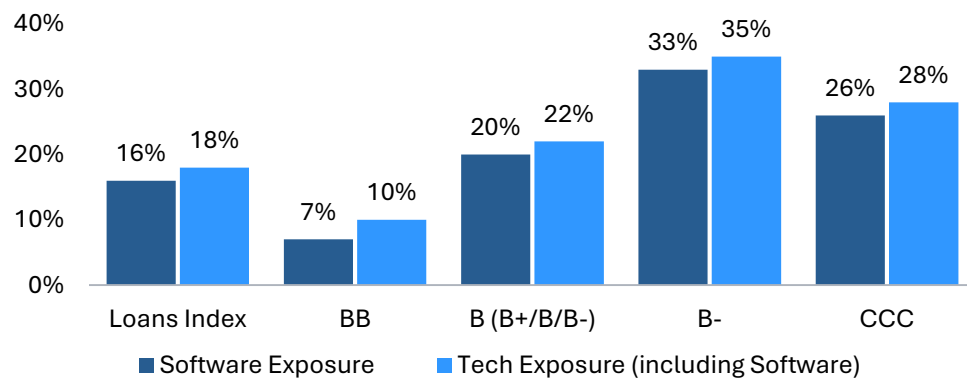
LEVERAGED FINANCE SOFTWARE EXPOSURE

AS OF MARCH 31, 2026



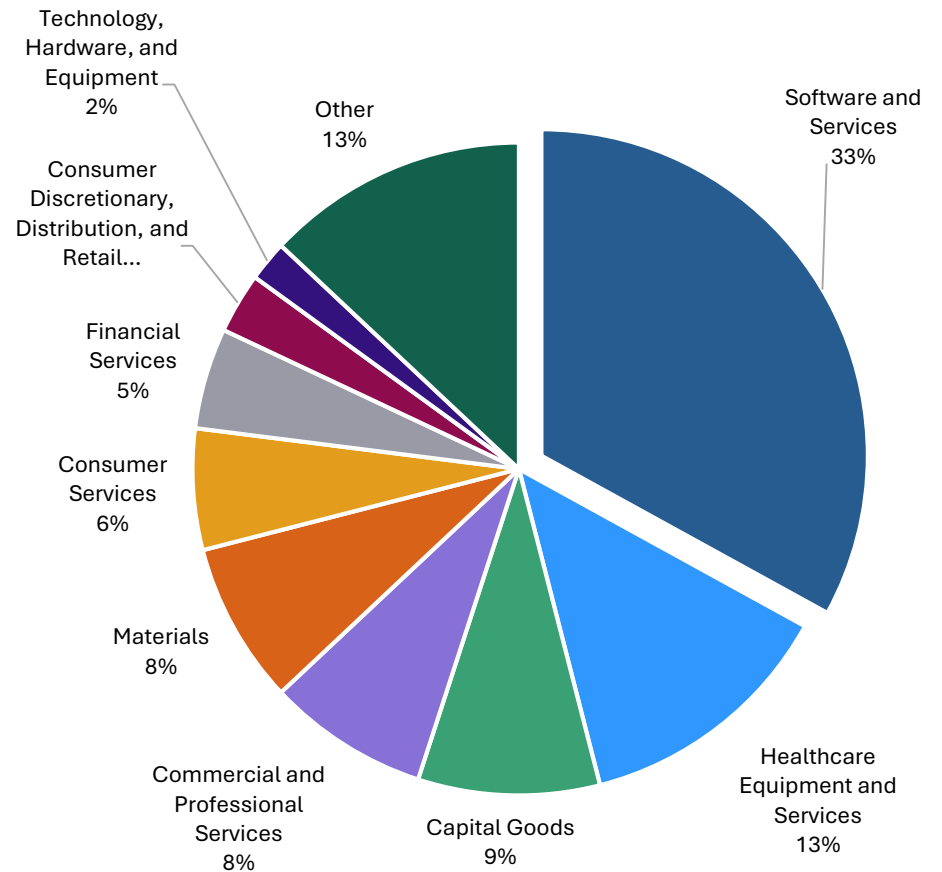
SOFTWARE AND TECH EXPOSURE BY CREDIT TIER

AS OF MARCH 31, 2026



SHARE OF B- RATED LOANS BY SECTOR

AS OF MARCH 31, 2026



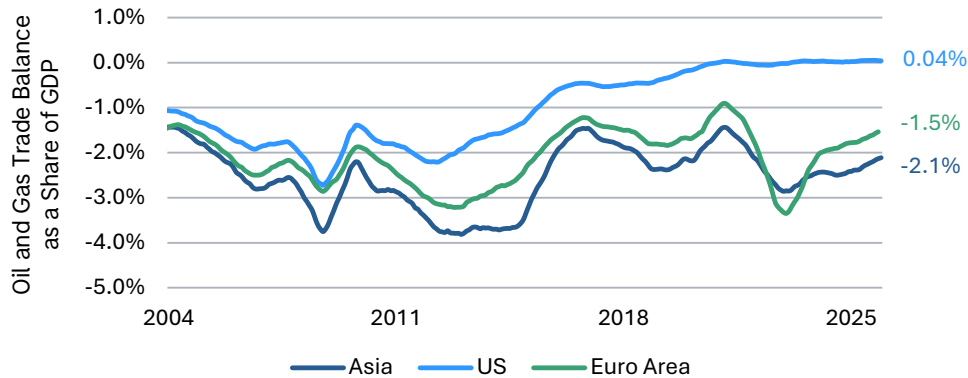
Source: Morgan Stanley Wealth Management GIO, MS & Co. Research

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Negative Impacts of War Centered on Rest of World

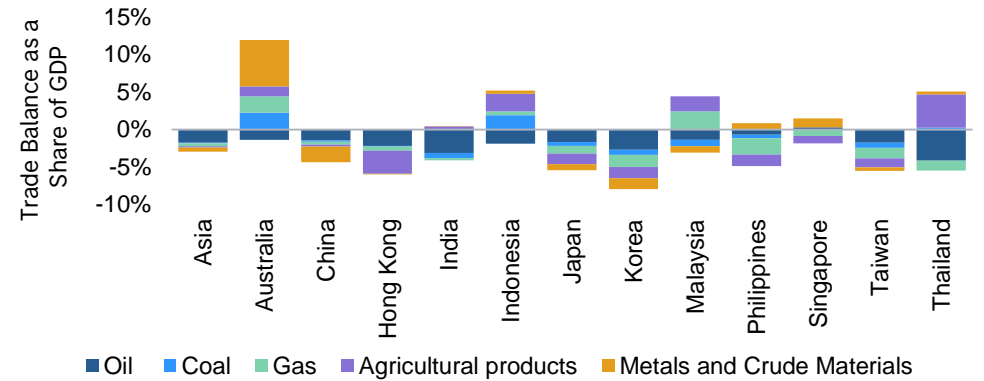
US ENERGY DEFICITS ENDED A DECADE AGO

AS OF MARCH 31, 2026



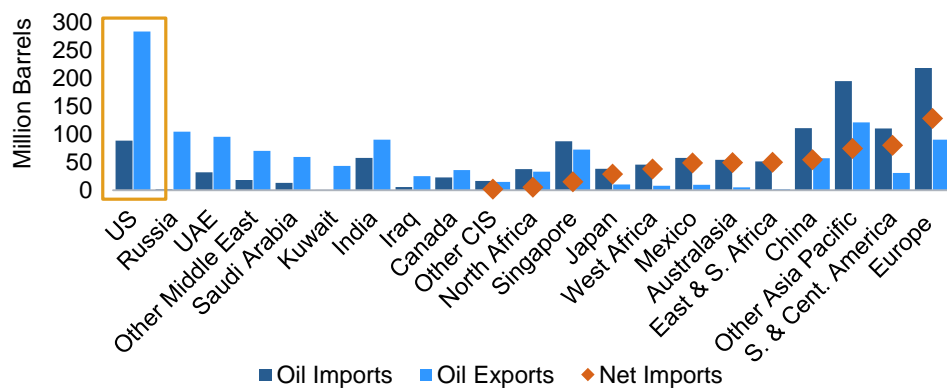
ASIA IS VULNERABLE

AS OF MARCH 31, 2026



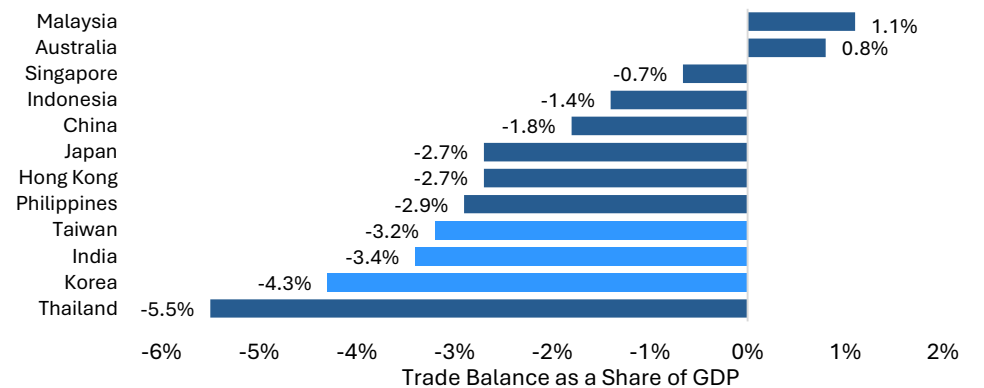
NOW AMERICA IS GREAT RELATIVE POSITION

AS OF MARCH 31, 2026



WATCHING INDIA, KOREA, AND TAIWAN

AS OF MARCH 31, 2026



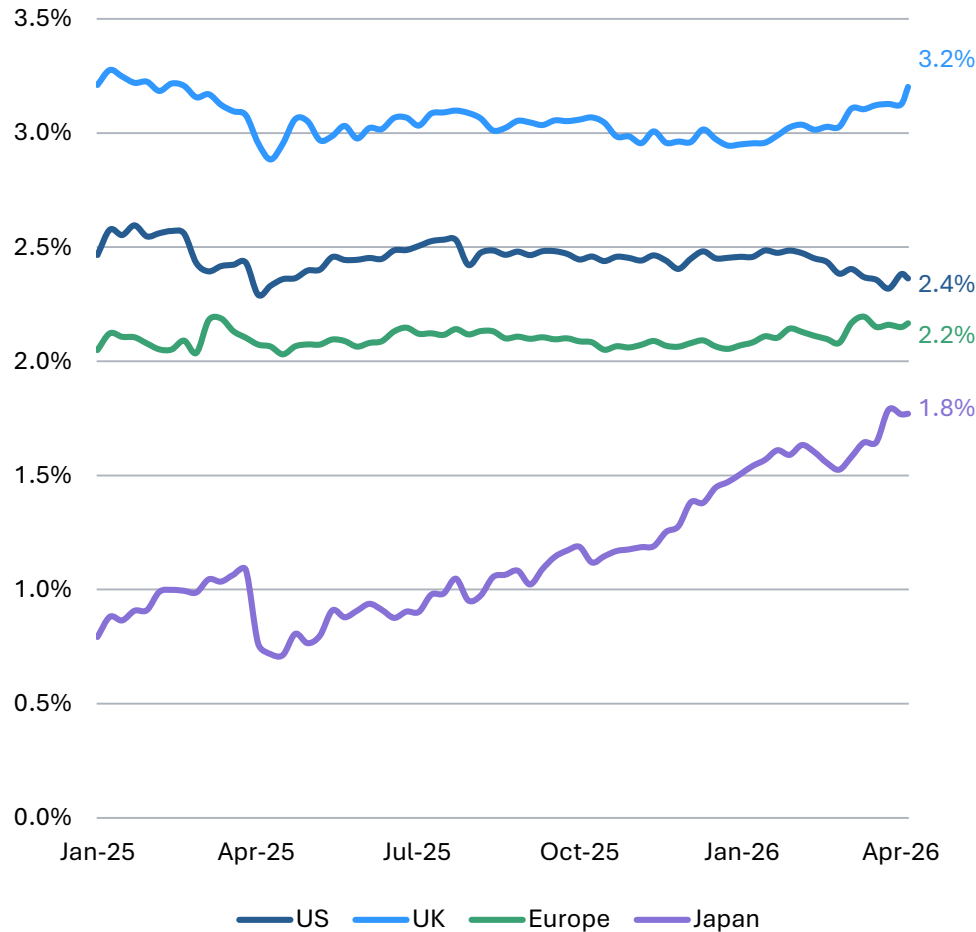
Source: Morgan Stanley Wealth Management GIO, MS & Co. Research

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And Fundamentals Reflect the Difference

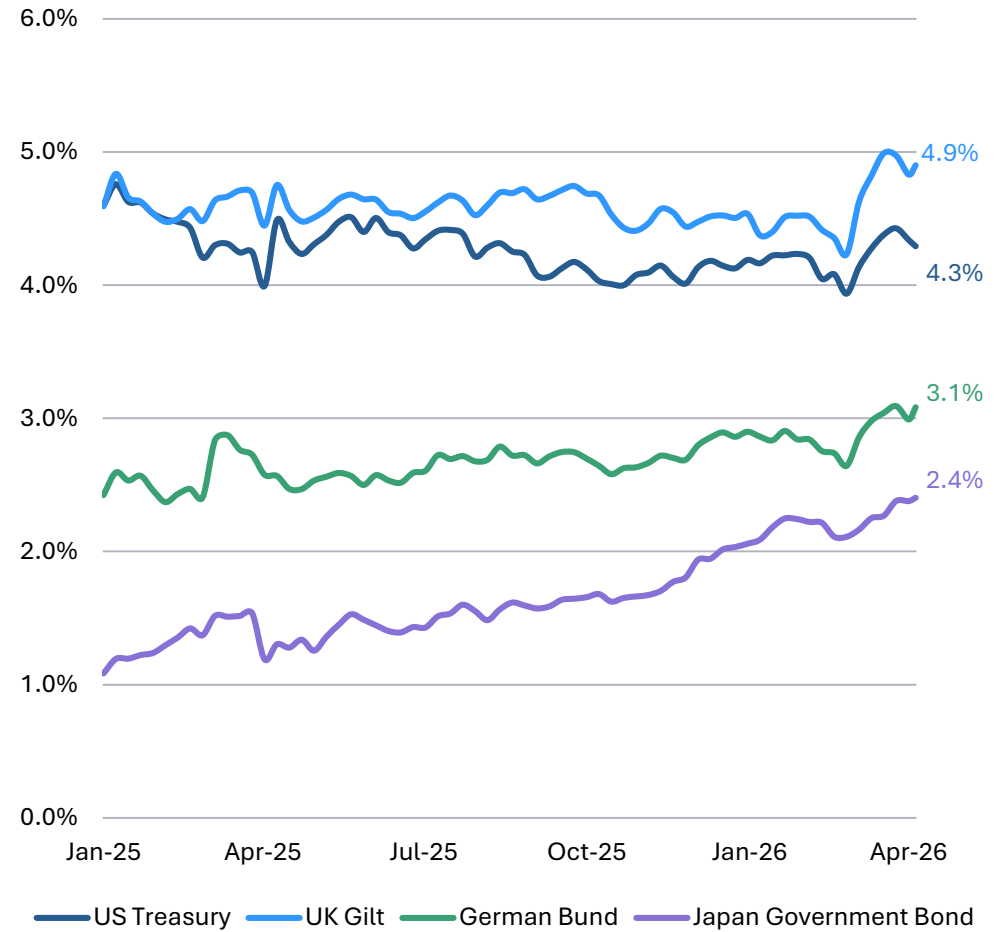
FIVE-YEAR, FIVE-YEAR FORWARD INFLATION SWAPS

AS OF APRIL 7, 2026



10-YEAR SOVEREIGN YIELDS

AS OF APRIL 7, 2026



Source: Morgan Stanley Wealth Management GIO, Bloomberg

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Geo-Politics Are Creating Opportunities in EM

LEVERAGE TO IRAN/US CEASE FIRE IS HIGHEST TO EM

Emerging markets are likely to benefit from the positive combination of rising economic growth and falling inflation.

- China's global trade surplus continues to grow robustly, and they are exporting deflation. They have made up 100% of the volume lost to US trading and tariffs.
- EM is benefitting from stronger currencies, especially against the US dollar, which is flattering purchasing power.
- EM is benefitting from the materials and commodities boom.
- Cheaper oil is substantial positive for India and China.

Tariffs are not likely to be a show-stopper in 2026.

- Supreme Court ruling will likely slow things as will mid-term election pressures.
- One-year China truce (after the elections).
- India probably emboldened by events.

EM will likely benefit from both China and US approaches to GenAI.

- China is open source and application specific; cheaper; lower power chips.
- US is energy intensive, with NVIDIA-centric architectures.

The new Monroe Doctrine creates opportunities for US dollar investors in Latin America: China will likely fill other voids.

Source: Morgan Stanley Wealth Management GIO, Bloomberg

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EMERGING MARKETS FORWARD P/E RELATIVE TO S&P 500

AS OF APRIL 6, 2026



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Indices are unmanaged and cannot be invested in directly. For index, indicator and survey definitions referenced in this report, please visit: www.morganstanley.com/wealth-investmentsolutions/wmir-definitions

For more information, please refer to additional General Disclosures here: www.morganstanley.com/wealthbooks#general-disclosures.

Risks Associated With Investing

Investing in the markets entails the risk of market volatility. The value of all types of investments, including stocks, mutual funds, exchange-traded funds ("ETFs"), closed-end funds, and unit investment trusts, may increase or decrease over varying time periods. Please carefully consider the investment objectives, risks, charges and expenses of investment fund(s) before investing. The fund 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. There is no assurance that investment funds will achieve their investment objectives. Besides the general investment risk of holding securities that may decline in value and the possible loss of principal invested, closed-end funds may have additional risks related to declining market prices relative to net asset values (NAVs), active manager underperformance and potential leverage. To the extent the investments depicted herein represent international securities, you should be aware that there may be additional risks associated with international investing, including foreign economic, political, monetary and/or legal factors, changing currency exchange rates, foreign taxes, and differences in financial and accounting standards. These risks may be magnified in emerging markets and frontier markets. Some funds also invest in foreign securities, which may involve currency risk. Equity securities may fluctuate in response to news on companies, industries, market conditions and general economic environment. Companies paying dividends can reduce or cut payouts at any time. Small- and mid-capitalization companies may lack the financial resources, product diversification and competitive strengths of larger companies. In addition, the securities of small- and mid-capitalization companies may not trade as readily as, and be subject to higher volatility than, those of larger, more established companies. Growth investing does not guarantee a profit or eliminate risk. Growth stocks can trade at relatively high valuations which may increase risk compared with an investment in a company with more modest growth expectations. Value investing does not guarantee a profit or eliminate risk. Not all companies deemed value stocks are able to turn around their business or successfully execute corrective strategies, and their stock prices may not rise as initially expected.

The value of fixed income securities will fluctuate and, upon a sale, may be worth more or less than their original cost or value at maturity. Bonds are subject to interest rate risk, call risk, reinvestment risk, liquidity risk, and credit risk of the issuer. Yields may change with economic conditions and should be considered alongside other factors when making investment decisions. Credit ratings are subject to change. High yield bonds carry additional risks, including increased risk of default and greater volatility due to lower credit quality of the issues. In the case of municipal bonds, income is generally exempt from federal income taxes, though some income may be subject to state and local taxes and to the federal alternative minimum tax. Capital gains, if any, are subject to tax. Treasury Inflation Protection Securities (TIPS) adjust coupon payments and underlying principal to compensate for inflation in line with the consumer price index (CPI). While the real rate of return is guaranteed, TIPS typically offer lower returns and may significantly underperform conventional U.S. Treasuries during periods of low inflation. There is no guarantee that investors will receive par if TIPS are sold prior to maturity. The Ultrashort-term fixed income asset class consists of high-quality securities with very short maturities and is therefore still subject to the risks associated with debt securities such as credit and interest rate risk.

Money Market Funds: You could lose money in money market funds. Although government money market funds (defined as investing 99.5% of total assets in cash and/or securities backed by the U.S. government) and retail funds (defined as money market funds open to natural person investors only) seek to preserve value at \$1.00 per share, they cannot guarantee doing so. The price of other money market funds will fluctuate, and when you sell shares they may be worth more or less than originally paid. Money market funds may impose a fee upon sale or temporarily suspend sales if liquidity falls below required minimums. During suspensions, shares would not be available for purchases, withdrawals, check writing or ATM debits. A money market fund investment is not insured or guaranteed by the Federal Deposit Insurance Corporation or other government agency. The Fund's sponsor has no legal obligation to provide financial support to the Fund and investors should not expect that the sponsor will provide financial support to the Fund at any time.

Investing in **Commodities:** Commodity prices may be affected by factors such as supply and demand, government policies, domestic or international political and economic events (including war or terrorism), changes in interest and exchange rates, trading activity in commodities and related contracts, pestilence, technological developments, weather, price volatility, and liquidity constraints. Physical precious metals are speculative, non-regulated products that may experience short- and long-term price volatility. Precious metals do not make interest or dividend payments and therefore may not be appropriate for investors who require current income. Precious metals must be stored, which may impose additional costs on investors.

Master Limited Partnerships (MLPs): Investments in MLPs are subject to the risks generally applicable to companies in the energy and natural resources sectors, including commodity price fluctuations, supply

and demand imbalances, resource depletion and exploration risk. MLPs also carry interest rate risk and may underperform in rising interest rate environments. In addition, MLP funds accrue deferred income taxes on net operating gains and capital appreciation; as a result their after-tax performance could differ significantly from that of its underlying assets.

Exchange Funds are private placement vehicles that enable holders of concentrated single-stock positions to exchange those stocks for a diversified portfolio. Investors may benefit from greater diversification.

Alternative investments are often speculative and include a high degree of risk. Investors can lose all or a substantial amount of their investment. They are appropriate only for eligible, long-term investors willing to forgo liquidity and put capital at risk for an indefinite period. They are often illiquid, may employ leverage, short-selling, or other speculative practices that increase volatility and risk of loss, and may require large minimum investments and initial lock-ups. Alternative investments may also involve complex tax structures, tax-inefficient investing, and delays in distributing important tax documents. Clients should consult their own tax and legal advisors, as Morgan Stanley Wealth Management does not provide tax or legal advice. They also typically carry higher fees and expenses than traditional investments, which can reduce overall returns.

Sector investments, due to their narrow focus, tend to be more volatile than broadly diversified investments. **Non-diversified portfolios:** Portfolios that hold a concentrated number of securities may experience greater overall declines when those securities lose value compared with more diversified portfolios. Portfolios that invest heavily in one or a few industry sectors are more vulnerable to price fluctuations than those diversified across a wider range of sectors.

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 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 any 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.

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. 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.

For more information, please refer to additional Risks Associated With Investing here: www.morganstanley.com/wealthbooks#risks-associated-with-investing.

Investment Advisory Programs

The sole purpose of this material is to inform, and it in no way is intended to be an offer or solicitation to purchase or sell any security, other investment or service, or to attract any funds or deposits. Investments mentioned may not be appropriate for all clients. MSWM offers investment program services through a variety of investment programs, which are opened pursuant to written client agreements. Each program offers investment managers, funds and features that are not available in other programs; conversely, some investment managers, funds or investment strategies may be available in more than one program. For more information, please see the Morgan Stanley Smith Barney LLC MSWM program disclosure brochure (the "Morgan Stanley ADV"). The Morgan Stanley ADV is available at www.morganstanley.com/ADV.

The Morgan Stanley Pathway Funds, Firm Discretionary UMA Model Portfolios, and other asset allocation or any other model portfolios that are discussed in this material are available only to investors participating in Morgan Stanley Consulting Group advisory programs. For additional information on the Morgan Stanley Consulting Group advisory programs, see the applicable ADV brochure, available at www.morganstanley.com/ADV or request from your Morgan Stanley Financial Advisor or Private Wealth Advisor. To learn more about the Morgan Stanley Pathway Funds, visit the Funds' website at www.morganstanley.com/wealth-investmentsolutions/cgcm.

Generally, investment advisory accounts are subject to an **annual asset-based fee** (the "Fee") which is payable monthly in advance (some account types may be billed differently). In general, the Fee covers Morgan Stanley investment advisory services, custody of securities with Morgan Stanley, trade execution with or through Morgan Stanley or its affiliates, as well as compensation to any Morgan Stanley Financial Advisor.

In addition, each account that is invested in a program that is eligible to purchase certain investment products, such as mutual funds, will also pay a **Platform Fee** (which is subject to a Platform Fee offset) as described in the Morgan Stanley ADV. Accounts invested in the Select UMA program may also pay a separate Sub-Manager fee, if applicable.

If your account is invested in mutual funds or exchange traded funds (collectively "funds"), you will pay the fees and expenses of any funds in which your account is invested. **Fees and expenses are charged directly to the pool of assets** the fund invests in and are reflected in each fund's share price. These fees and expenses are an additional cost to you and would not be included in the Fee amount in your account statements. The advisory program you choose is described in the Morgan Stanley ADV.

Morgan Stanley or Executing Sub-Managers, as applicable, in some of Morgan Stanley's SMA programs may effect transactions through broker-dealers other than Morgan Stanley or our affiliates. In such instances, you may be assessed additional costs by the other firm in addition to the Morgan Stanley and Sub-Manager fees. Those costs will be included in the net price of the security, not separately reported

on trade confirmations or account statements. Certain Sub-Managers have historically directed most, if not all, of their trades to outside firms. Information provided by Sub-Managers concerning trade execution away from Morgan Stanley is summarized at: www.morganstanley.com/wealth/investmentsolutions/pdfs/adv/sotresponse.pdf. For more information on trading and costs, please refer to the **Morgan Stanley ADV** or contact your Financial Advisor / Private Wealth Advisor.

GIMA Conflicts of Interest: Our business is subject to various conflicts of interest. For example, ideas and suggestions for which investment products should be evaluated by Global Investment Manager Analysis (GIMA) come from a variety of sources, including our MSWM Financial Advisors and their direct or indirect managers, and other business persons within MSWM or its affiliates. Such persons may have an ongoing business relationship with certain investment managers or mutual fund companies whereby they, MSWM or its affiliates receive compensation from, or otherwise related to, those investment managers or mutual funds or for which a portion of their clients' assets are already invested. Separately, certain strategies managed or sub-advised by us or our affiliates, including but not limited to MSIM and Eaton Vance Management ("EVM") and its investment affiliates, may be included in your account. See the conflicts of interest section in the applicable Morgan Stanley ADV brochure for a discussion of other types of conflicts that may be relevant to GIMA's evaluation of managers and funds. In addition, MSWM, Morgan Stanley & Co. LLC ("MS & Co."), managers and their affiliates provide a variety of services (including research, brokerage, asset management, trading, lending and investment banking services) for each other and for various clients, including issuers of securities that may be recommended for purchase or sale by clients or are otherwise held in client accounts, and managers in various advisory programs.

MSWM, managers, MS & Co., and their affiliates receive compensation and fees in connection with these services. MSWM believes that the nature and range of clients to which such services are rendered is such that it would be inadvisable to exclude categorically all these companies from an account.

Morgan Stanley charges each fund family we offer a **mutual fund support fee**, also called a "revenue-sharing payment," on client account holdings in fund families according to a tiered rate that increases along with the management fee of the fund so that lower management fee funds pay lower rates than those with higher management fees.

For more information, please refer to additional Investment Advisory Programs disclosures here: www.morganstanley.com/wealthbooks#investment-advisory-programs.

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Residential mortgage loans and home equity lines of credit are offered by MSPBNA, Member FDIC an Equal Housing Lender. Nationwide Mortgage Licensing System Unique Identifier #663185. **The proceeds from a residential mortgage loan (including draws and advances from a home equity line of credit) are not permitted to be used to purchase, trade, or carry eligible margin stock; repay margin debt that was used to purchase, trade, or carry margin stock; or to make payments on any amounts owed under the note, loan agreement, or loan security agreement; and cannot be deposited into a MSSB or other brokerage account.** The pledged-asset feature allows eligible securities to be used as a substitute for a cash down payment. The pledged-asset feature allows eligible securities to be used as an alternative to a cash down payment. Clients must maintain collateral levels and may be subject to liquidation if requirements are not met. Interest-only and adjustable-rate mortgages (ARMs) carry specific risks, including payment increases and higher total interest costs. ARMs are based on the SOFR 30-Day Average. Relationship-based pricing is available based on eligible household assets held at the Firm.

Cards and Cash Management: Debit Cards offered through the Firm are issued by MSPBNA under license from Mastercard. American Express Cards offered through the Firm include the Platinum Card®, Blue Cash Preferred®, and the Morgan Stanley Credit Card. Eligibility requires an "Eligible Account" at the Firm. Cards are issued by American Express National Bank. Terms, conditions, and restrictions apply. The Greenlight App and Debit Card is provided by Greenlight Financial Technologies, not the Firm or any of its affiliates. The Morgan Stanley CashPlus is a brokerage account offered through MSSB. Conditions and restrictions apply. For more information, see the CashPlus Disclosure Statement.

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