Morgan Stanley

The Caruso-Colonna Group at Morgan Stanley
July, 2026 Newsletter

Our Mission: To Gain and Maintain Financial Freedom

"Liberty, when it begins to take root, is a plant of rapid growth."
George Washington

America at 250 Years:

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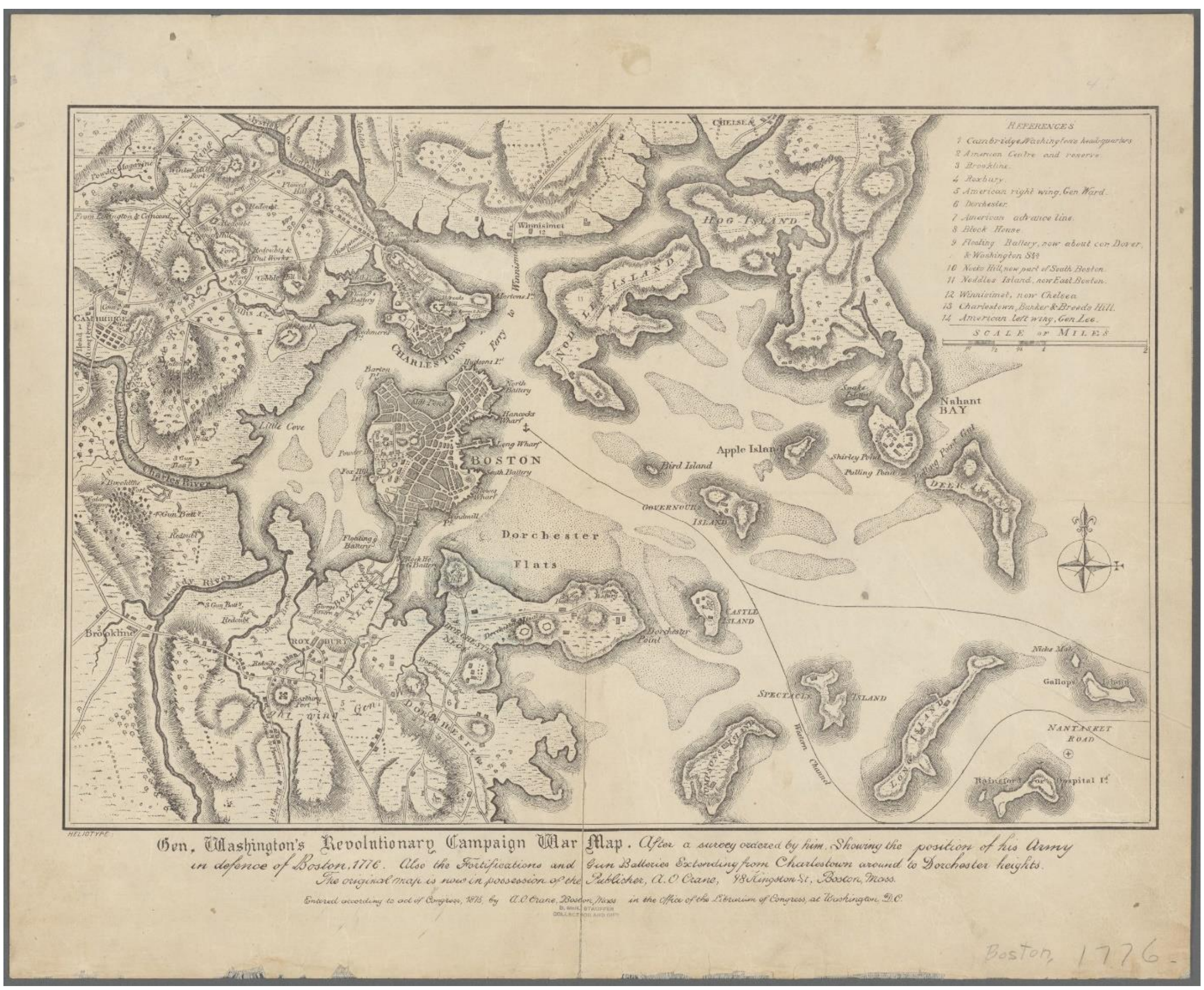
It seems fitting to devote much of this issue to celebrating the 250th anniversary of America's birth. Below is a survey map of General Washington's early battle plan against British forces in Boston. (1) We think people forget how difficult the Revolutionary War was. It did not end until the signing of the 1783 Treaty of Paris, making the Revolution a seven-year conflict. (2)

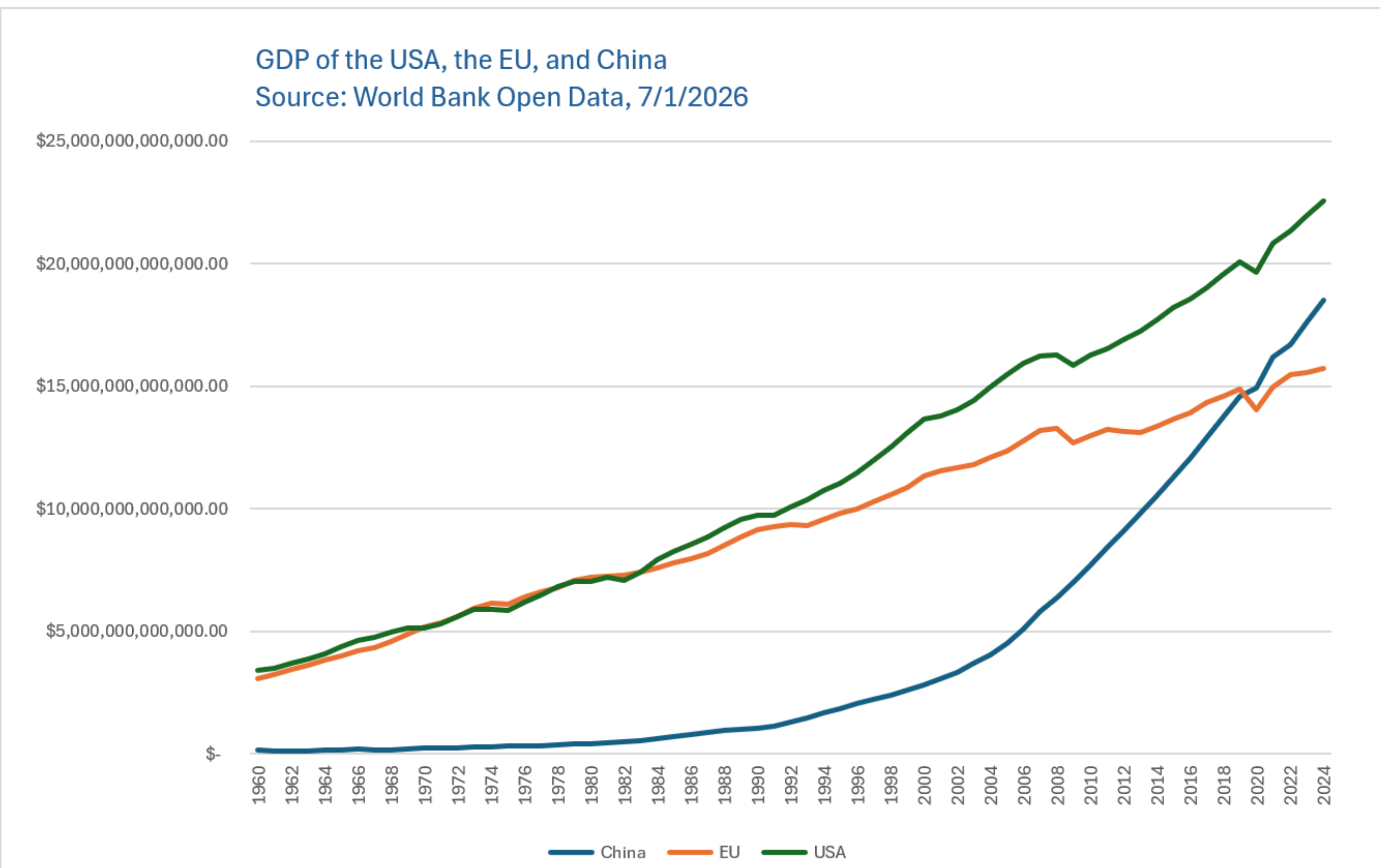


America was a backwater collection of colonies in 1776. We had cities in Boston, New York, and Philadelphia but these paled in contrast to Europe's great cities such as London and Paris. North America then was mostly forested land with little history behind it. The United States started with dirt which makes our standing today seem more improbable.

We are hard-pressed to think of another country or empire that rose from nothing to global superpower in only two centuries. People may not have realized it in 1976 at the Bicentennial celebration, but America's superpower status was already well established.

Below we plotted the Gross Domestic Product (GDP) of the US, the European Union, and China beginning in 1960. Perhaps only China can assert a faster growth rate in recent years. Their growth began to accelerate in the 1990's as they opened their economy to the west and gained admission to the World Trade Organization, largely with US backing. We believe it is fair to say that the west pulled China into the twenty first century, making that growth possible.

All three are large economic zones but the US is only 250 years old. Europe and China on the other hand have existed for centuries. Even more telling is the comparison between the EU and the US. In 1960 their GDPs were comparable and they maintained similar growth rates until the early 1980's. Today, the US economy is roughly 60% larger than the EU.



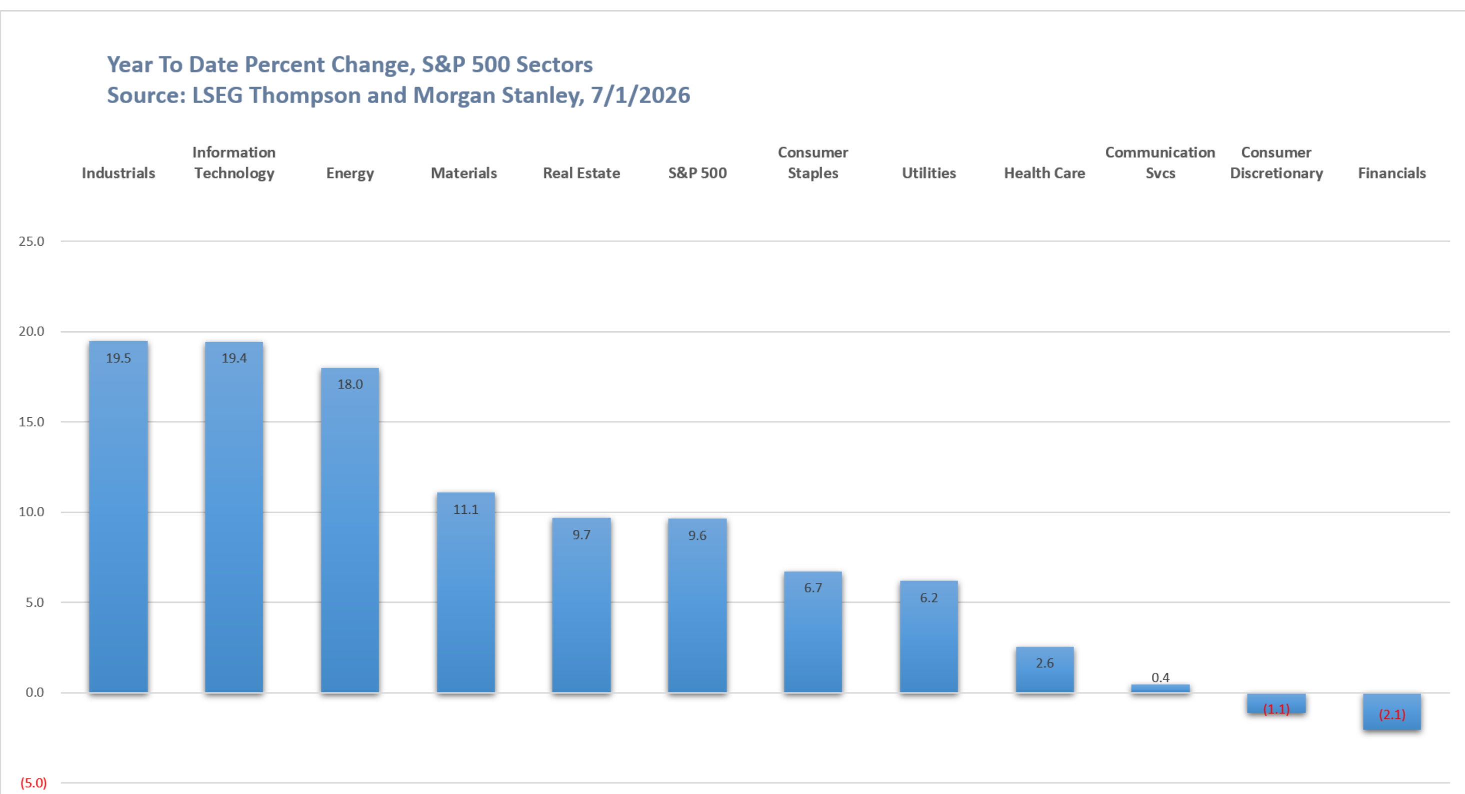
Detractors may say what they will about the United States, but we think history demonstrates that our nation remains positively unique in recorded global history. We believe liberty, free markets, and capitalism share much of the credit. A great many of the world's modern technological advances owe themselves to America either through home-grown talent or immigrants who came here seeking academic and economic freedom.

President Washington understood the linkage between liberty and growth. We think when people and markets are unleashed to operate freely, growth potential is at its highest. The nations of the world that have lagged economically for decades or centuries have historically not enjoyed these freedoms to the same degree.

We hope you agree that America remains a remarkable place. We were tickled that so many visiting World Cup Soccer fans seemed to concur. More than once last month, we saw video of visitors from Europe and Australia remark that they had been lied to about America their entire lives. Contrary to the dystopian views they had been given by local and international media, they found the country to be warm, inviting, and vibrant. That is how we see America too.

Markets and Economics Update:

Our capital markets indices appended at the end provide the update on a strong June. The NASDAQ composite index gained nearly 22 points. European indices lagged while Japan enjoyed a strong year. One of our favorite sectors, Industrials, is leading this year. We maintain that without power, steel, aluminum, copper, motors, hydraulics, pumps, chillers, heat exchangers, factory control and automation systems, and more, we would not have functional computers and data centers. The industrial economy powers the information economy.



We will not dwell too heavily on the nuances of the markets and the economy this month except to say 2026's first half was good. Year to date market gains have been quite respectable. We will not be dissatisfied if markets finish the year at today's levels.

Some investors remain fearful of markets. We hear about their doubts often. Many people have remained market skeptics for years. Obviously, we cannot guarantee future returns. However, those who remained on the sidelines the past decade or more potentially missed significant capital growth. Compounding time cannot be recovered either.

We will end this celebratory issue with a quiz, one of our favorite quiz questions. President Reagan was inaugurated forty-five years ago in January 1981. What was the approximate closing level of the Dow Jones Industrial Average on his inauguration day? Was it:

A) 385
B) 940
C) 2200
D) 3700
E) 5600

If you answered 940, you would be correct. (3) The Dow Jones Industrial Average closed on 6/30/2026 at 52,319. We calculate this approximate compound annual growth rate to be +9.3% excluding dividends, and the effects of costs and taxes. This was nice growth over a tumultuous half century of wars, scandals, the collapse of communism, pandemics, financial crises, and much more.

America has persevered despite many challenges over its short life. We believe our great nation should continue to thrive. Happy Birthday to us!

(1) Image Source: NYC Public Library Free Image Collection
(2) Date Source Treaty of Paris: Wikipedia, 7/1/2026
(3) Source: LSEG ThompsonOne, Morgan Stanley, 7/1/2026
(4) AUM Data as of 6/4/26

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Left to Right: Keith Colonna Jr, Sandra Caruso, Keith Colonna Sr, Sarah DePaoli

For more information about induvial years of experience please visit our website at https://advisor.morganstanley.com/the-caruso-colonna-group

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Indices are unmanaged. An investor cannot invest directly in an index. For index, indicator and survey definitions referenced in this report please visit the following:
https://www.morganstanley.com/wealth-investmentsolutions/wmir-definitions

Because of their narrow focus, sector investments tend to be more volatile than investments that diversify across many sectors and companies.

Capital Market Indices

Wednesday, July 1, 2026

US Equities	Jun-30	1D	WTD	MTD	QTD	YTD	1Y
S&P 500	7,499.36	0.8%	2.0%	-1.0%	15.2%	10.2%	22.3%
Dow Jones Industrial Avg.	52,319.20	0.3%	0.9%	2.7%	13.4%	9.8%	20.6%
NASDAQ Composite	26,213.72	1.5%	3.6%	-2.7%	21.6%	13.1%	29.5%
NYSE Composite	23,834.23	0.2%	0.6%	2.5%	8.5%	9.5%	19.2%
AMEX Composite	7,759.35	-0.5%	-0.8%	-8.2%	-11.7%	14.0%	36.9%

Americas Equities (USD)	Jun-30	1D	WTD	MTD	QTD	YTD	1Y
Canada S&P	24,533.35	0.1%	-0.4%	-2.4%	4.9%	7.4%	27.5%
Mexico IPC	3,833.57	-0.7%	-0.3%	-3.0%	1.9%	9.2%	29.9%
Brazil Bovespa	33,288.33	-0.5%	-0.7%	-3.2%	-7.7%	13.3%	30.3%

Europe Equities (USD)	Jun-30	1D	WTD	MTD	QTD	YTD	1Y
UK FTSE 100	13,909.73	0.1%	0.2%	-0.7%	4.3%	6.0%	19.4%
Eurozone STOXX 50	7,222.88	1.5%	2.0%	2.4%	14.4%	8.6%	19.2%
France CAC 40	9,592.31	0.4%	0.5%	0.7%	8.9%	2.8%	9.8%
Germany DAX	28,530.22	1.4%	1.5%	-2.6%	9.0%	-0.9%	1.4%
Spain IBEX 35	22,225.23	0.3%	0.6%	3.9%	14.6%	11.5%	39.9%

Asia Equities (USD)	Jun-30	1D	WTD	MTD	QTD	YTD	1Y
Japan Nikkei 225	430.76	0.4%	0.5%	3.5%	34.2%	34.9%	56.1%
Hang Seng Hong Kong	2,917.46	-0.6%	1.0%	-8.6%	-6.5%	-9.9%	-2.0%
China Shenzhen Comp.	418.53	2.2%	2.2%	1.2%	14.6%	16.4%	46.3%

Alternatives	Jun-30	1D	WTD	MTD	QTD	YTD	1Y
FTSE EPRA/NAREIT Global	1,882.54	-1.8%	-2.1%	1.3%	9.4%	9.8%	11.2%
Alerian Midstream Energy Select	902.10	-0.7%	-1.6%	1.6%	0.7%	24.1%	24.0%
HFRX Global Hedge Fund	1,661.15	0.0%	0.1%	0.3%	5.0%	4.4%	9.3%
HFRI Fund of Funds[1]	9,762.96	-	-	0.0%	6.5%	7.3%	15.3%
HFRX Macro/CTA Index	1,438.10	0.0%	-0.3%	-1.4%	3.6%	5.2%	14.5%

Commodities	Jun-30	1D	WTD	MTD	QTD	YTD	1Y
Bloomberg Commodity	123.18	0.5%	0.2%	-8.8%	-8.9%	12.3%	20.7%
..Ex-Energy	137.66	0.7%	-0.4%	-7.1%	-5.8%	0.9%	15.7%
..Ex-Precious Metals	144.64	0.5%	0.4%	-7.5%	-6.7%	18.2%	17.8%
CRB Index	565.32	-	-	-	0.0%	4.7%	-0.6%
Bloomberg Agriculture	54.95	1.0%	0.1%	-4.0%	-4.0%	2.8%	0.6%
Bloomberg Energy	34.51	0.0%	1.1%	-12.0%	-14.1%	36.2%	21.0%
WTI Crude Oil Futures	69.50	-1.8%	0.4%	-20.4%	-31.4%	21.0%	6.7%
Brent Crude Oil Futures	72.92	-0.3%	1.3%	-20.8%	-38.4%	19.8%	7.9%
Gasoline Futures	3.01	-1.5%	1.9%	-3.6%	-9.0%	76.8%	44.9%
Natural Gas Futures	3.28	3.0%	1.4%	-0.5%	13.6%	-11.2%	-5.2%
Bloomberg Ind. Metals	171.02	0.9%	-0.5%	-7.9%	1.0%	4.7%	15.2%
Copper Futures	6.19	1.6%	0.8%	-3.1%	10.3%	9.0%	23.1%
Bloomberg Prec. Metals	417.59	0.4%	-1.1%	-14.0%	-15.7%	-9.3%	29.1%
Gold Futures	4,038.50	-0.0%	-1.0%	-11.4%	-13.1%	-7.0%	22.1%
Silver Futures	59.48	2.2%	0.4%	-21.6%	-20.6%	-15.8%	65.9%
Palladium Futures	1,210.90	-0.9%	0.2%	-11.0%	-18.6%	-26.7%	9.4%
Platinum Futures	1,550.20	-1.5%	-4.9%	-19.7%	-20.5%	-23.8%	16.2%
Bloomberg Softs	60.05	2.3%	3.0%	6.8%	3.0%	-5.4%	-0.7%

US Size-Style	Jun-30	1D	WTD	MTD	QTD	YTD	1Y
Russell 3000	4,279.36	0.8%	1.9%	-0.3%	15.4%	10.9%	22.8%
Russell 3000 Growth	3,920.73	1.8%	4.2%	-2.7%	17.1%	5.9%	18.2%
Russell 3000 Value	3,126.48	-0.1%	-0.1%	2.3%	14.0%	16.5%	27.7%
S&P 500	7,499.36	0.8%	2.0%	-1.0%	15.2%	10.2%	22.3%
S&P 500 Equal Weight	8,626.64	-0.1%	0.1%	2.4%	11.4%	12.1%	19.2%
S&P 500 Growth	5,552.02	1.5%	3.5%	-1.8%	21.9%	12.0%	25.7%
S&P 500 Value	2,239.97	-0.0%	0.2%	0.0%	8.0%	8.0%	18.4%
Russell 1000	4,093.86	0.8%	2.0%	-0.5%	15.1%	10.3%	22.0%
Russell 1000 Growth	5,003.83	1.8%	4.3%	-2.7%	16.7%	5.3%	17.7%
Russell 1000 Value	2,386.33	-0.1%	-0.1%	2.3%	13.9%	16.2%	27.1%
Russell Midcap	4,399.11	0.1%	0.7%	3.1%	13.8%	15.3%	21.6%
Russell Midcap Growth	2,362.63	1.2%	3.4%	2.7%	14.5%	7.3%	6.2%
Russell Midcap Value	3,779.78	-0.2%	-0.3%	3.0%	13.4%	17.6%	26.6%
Russell 2000	3,024.37	0.5%	0.5%	3.7%	21.6%	22.7%	40.9%
Russell 2000 Growth	2,013.36	1.0%	1.3%	3.6%	25.8%	22.3%	38.8%
Russell 2000 Value	3,310.43	-0.0%	-0.4%	4.0%	17.2%	23.2%	43.2%

S&P 500 Sectors	Jun-30	1D	WTD	MTD	QTD	YTD	1Y
Communication Services	454.40	0.0%	3.1%	-7.8%	8.3%	0.8%	21.1%
Consumer Discretionary	1,907.12	0.1%	2.8%	-4.7%	9.3%	-0.8%	9.5%
Consumer Staples	923.02	-1.5%	-1.9%	0.5%	0.3%	8.0%	5.5%
Energy	810.95	-0.6%	-1.2%	-5.1%	-13.4%	19.7%	29.0%
Financials	892.84	-0.1%	-0.0%	4.4%	9.0%	-1.3%	3.9%
Health Care	1,852.15	-1.3%	-1.1%	6.6%	8.8%	3.5%	19.9%
Industrials	1,568.73	1.4%	2.2%	7.3%	14.9%	20.2%	27.1%
Information Technology	6,788.21	2.6%	4.3%	-3.3%	31.8%	19.8%	37.5%
Materials	638.08	0.6%	-1.3%	0.0%	2.0%	12.0%	16.7%
Real Estate	279.70	-2.1%	-2.8%	0.8%	8.5%	11.5%	11.1%
Utilities	460.68	-1.5%	-1.9%	2.7%	-0.5%	7.7%	14.2%

MSCI Indices (USD)	Jun-30	1D	WTD	MTD	QTD	YTD	1Y
All Country World	1,120.46	0.8%	1.6%	-0.8%	15.1%	11.5%	24.2%
... ex-US	472.43	0.8%	0.9%	-0.6%	14.7%	14.0%	28.3%
World	4,825.50	0.7%	1.7%	-0.7%	13.9%	10.0%	21.8%
... ex-US	3,185.67	0.7%	0.9%	-0.1%	10.5%	9.6%	21.7%
USA	7,148.71	0.8%	2.1%	-0.9%	15.3%	10.1%	21.9%
EAFE	3,116.71	0.7%	1.1%	0.1%	11.1%	9.9%	20.9%
Pacific	4,114.65	0.1%	0.4%	-1.1%	10.9%	13.2%	24.2%
Japan	15.28	0.0%	0.3%	-0.4%	14.0%	15.9%	29.3%
Pacific ex-Japan	1,639.02	-0.1%	0.5%	-3.0%	3.9%	7.3%	13.4%
All Country Asia ex-Japan	1,143.34	1.0%	1.2%	-1.3%	27.8%	26.3%	46.4%
Europe	245.45	0.8%	1.3%	0.8%	11.0%	8.3%	18.9%
..ex-UK	291.87	1.0%	1.5%	1.3%	13.1%	8.9%	18.7%
Emerging Markets	1,722.89	1.0%	1.0%	-1.4%	24.1%	24.0%	44.2%
Brazil	1,776.81	-0.4%	-0.6%	-2.8%	-8.0%	9.6%	27.4%
China	8.97	0.1%	2.0%	-7.1%	-6.6%	-14.9%	-4.8%
India	30.71	-0.1%	-0.7%	1.5%	9.8%	-9.6%	-11.6%
Mexico	8,111.77	-0.8%	-0.6%	-3.1%	3.2%	11.2%	33.1%
Frontier Markets	814.84	0.6%	0.3%	0.4%	11.3%	10.3%	35.2%

USD SOFR Rates	Jun-30	3M Ago	1Y Ago
One-Month	3.65%	3.66%	4.32%
Three-Month	3.73%	3.69%	4.29%
Six-Month	3.85%	3.73%	4.15%
One-Year	3.99%	3.81%	3.88%

US Bank Rates	Jun-30	3M Ago	1Y Ago
Federal Funds	3.61%	3.64%	4.31%
Discount Rate	3.75%	3.75%	4.50%
Prime Rate	6.75%	6.75%	7.50%

Volatility	Jun-30	1D Chg.	4W Ago
CBOE Volatility (VIX)	16.45	-1.20	16.05
Treasury Bond Volatility	71.96	5.61	73.33
FX Volatility	6.37	0.95	5.99

FX Rates	Jun-30	1D Chg.	1D %, FX
US Dollar Spot Rate (DXY)	101.19	0.08	0.1%
Euro (EUR/USD)	1.1422	0.00	0.0%
British Pound (GBP/USD)	1.3262	0.00	0.0%
Swiss Franc (USD/CHF)	0.8084	0.00	-0.1%
Japanese Yen (USD/JPY)	162.55	0.61	-0.4%
Australian Dollar (AUD/USD)	0.6919	0.00	0.5%
Canadian Dollar (USD/CAD)	1.4196	-0.00	0.1%
New Zealand Doll. (NZD/USD)	0.5678	0.00	0.5%
Hong Kong Doll. (USD/HKD)	7.8429	0.00	-0.0%
Singapore Dollar (USD/SGD)	1.2938	0.00	-0.1%
Chinese Renminbi (USD/CNY)	6.7870	-0.01	0.1%
Indian Rupee (USD/INR)	94.67	0.13	-0.1%
Mexican Peso (USD/MXN)	17.49	0.02	-0.1%
Brazilian Real (USD/BRL)	5.1616	-0.01	0.2%

Source: Morgan Stanley Wealth Management GIO, Bloomberg, FactSet. [1]Data for HFRI Fund of Funds as of May 31, 2026. YTD starts Dec. 31, 2025, and 1Y starts Jun. 30, 2025.

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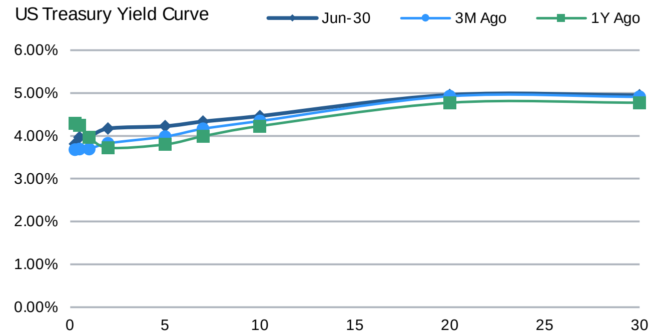
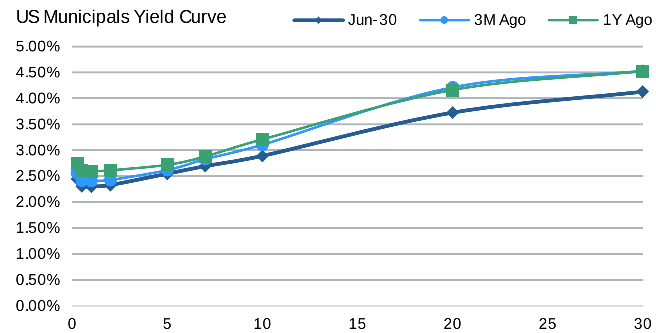
Capital Market Indices

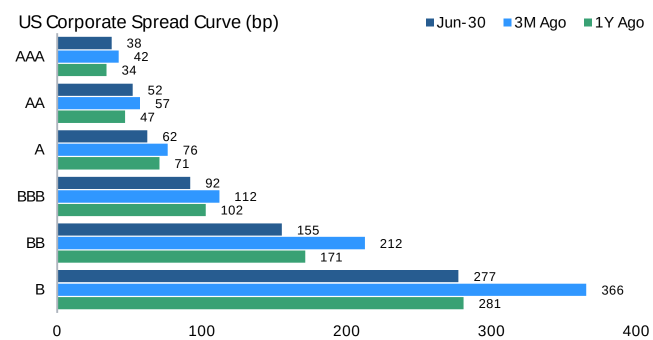
Wednesday, July 1, 2026

	Treasuries						AAA General Obligation (GO) Municipals						
Maturity	**Jun-30**	**1D**	**Dec-31**	**3M Ago**	**6M Ago**	**1Y Ago**	**Jun-30**	**% UST**	**1D**	**Dec-31**	**3M Ago**	**6M Ago**	**1Y Ago**
Three-Month	3.81	0.05	3.63	3.68	3.54	4.29	2.45	64%	-0.01	2.64	2.56	2.64	2.75
Six-Month	3.97	0.02	3.60	3.69	3.60	4.25	2.31	58%	-0.01	2.50	2.42	2.50	2.60
One-Year	3.97	0.03	3.47	3.70	3.46	3.97	2.30	58%	-0.01	2.49	2.41	2.49	2.59
Two-Year	4.17	0.07	3.47	3.83	3.45	3.72	2.33	56%	-0.01	2.44	2.43	2.44	2.61
Five-Year	4.23	0.08	3.73	3.98	3.68	3.80	2.55	60%	0.00	2.39	2.62	2.39	2.72
Seven-Year	4.34	0.09	3.94	4.17	3.89	3.99	2.69	62%	0.00	2.50	2.83	2.50	2.88
10-Year	4.47	0.09	4.17	4.35	4.12	4.23	2.89	65%	-0.01	2.73	3.11	2.73	3.21
20-Year	4.96	0.10	4.79	4.93	4.75	4.77	3.73	75%	-0.02	3.94	4.21	3.94	4.16
30-Year	4.95	0.09	4.84	4.91	4.81	4.77	4.13	83%	-0.02	4.19	4.53	4.19	4.52

	Returns						Option-Adjusted Spreads (bp)					
Bloomberg Indices (USD)	**1D**	**WTD**	**MTD**	**QTD**	**YTD**	**1Y**	**Jun-30**	**1D**	**Dec-31**	**3M Ago**	**6M Ago**	**1Y Ago**
Multiverse	-0.2%	-0.1%	-0.6%	1.0%	-0.1%	1.0%	—	—	—	—	—	—
Global Aggregate	-0.2%	-0.1%	-0.7%	0.9%	-0.2%	0.6%	—	—	—	—	—	—
US Aggregate	-0.4%	-0.4%	0.2%	0.7%	0.6%	3.8%	26	1	27	30	27	32
US Treasury	-0.4%	-0.4%	0.3%	0.3%	0.3%	2.7%	—	—	—	—	—	—
..Short	0.0%	0.0%	0.3%	0.9%	1.7%	3.9%	—	—	—	—	—	—
..One- to Five-Year	-0.1%	-0.1%	0.0%	0.2%	0.4%	2.7%	—	—	—	—	—	—
..Five- to 10-Year	-0.4%	-0.4%	0.2%	0.1%	-0.2%	2.6%	—	—	—	—	—	—
..10- to 20-Year	-1.0%	-0.9%	0.8%	0.8%	0.3%	3.3%	—	—	—	—	—	—
..20+-Year	-1.2%	-1.0%	1.2%	0.9%	0.6%	2.5%	—	—	—	—	—	—
US Corporate	-0.4%	-0.3%	0.2%	1.4%	0.9%	4.3%	74	-0	78	91	77	83
..One- to Five-Year	-0.1%	-0.1%	0.1%	0.8%	0.9%	3.9%	53	-1	60	72	59	63
..Intermediate-Term	-0.2%	-0.2%	0.1%	1.0%	0.8%	4.1%	65	-0	70	83	69	75
..Long-Term	-0.9%	-0.6%	0.3%	2.3%	1.1%	4.8%	94	0	94	108	94	100
..AAA	-0.7%	-0.6%	-0.1%	0.8%	0.0%	2.8%	38	-0	34	42	33	34
..AA	-0.5%	-0.4%	-0.0%	0.7%	0.3%	3.1%	52	-0	48	57	48	47
..A	-0.4%	-0.3%	0.2%	1.3%	0.7%	4.2%	62	-0	64	76	63	71
..BBB	-0.4%	-0.3%	0.2%	1.7%	1.1%	4.7%	92	-0	97	112	97	102
US Securitized	-0.4%	-0.4%	0.2%	0.6%	1.0%	5.1%	27	2	25	28	26	40
..Mtge.-Backed Securities (MBS)	-0.5%	-0.4%	0.2%	0.6%	1.0%	5.2%	24	2	22	25	22	37
..Commercial MBS	-0.2%	-0.2%	0.2%	0.5%	0.8%	4.0%	71	-1	81	78	81	90
..Asset-Backed Securities (ABS)	-0.1%	-0.1%	0.2%	0.8%	1.1%	4.0%	44	-1	52	52	53	57
US Municipal	0.1%	0.2%	1.0%	2.5%	2.3%	7.0%	—	—	—	—	—	—
..One- to Five-Year	0.0%	0.1%	0.4%	0.9%	1.2%	3.4%	—	—	—	—	—	—
..One- to 10-Year	0.0%	0.1%	0.5%	1.3%	1.1%	4.5%	—	—	—	—	—	—
..10+-Year	0.1%	0.2%	1.3%	3.5%	3.3%	9.3%	—	—	—	—	—	—
US TIPS	—	—	-0.5%	0.9%	1.2%	3.4%	—	—	—	—	—	—
US High Yield Corporate	0.1%	0.2%	0.3%	2.5%	2.0%	5.9%	270	-8	266	335	267	290
..BB	0.1%	0.2%	0.3%	2.3%	2.0%	5.9%	155	-7	165	212	164	171
..B	0.1%	0.2%	0.3%	2.8%	2.2%	6.2%	277	-9	268	366	271	281
..CCC	-0.0%	0.2%	-0.1%	3.0%	1.7%	6.3%	770	-3	615	743	619	677
US High Yield Municipal	0.1%	0.2%	1.3%	3.4%	4.1%	7.0%	—	—	—	—	—	—
Global ex-USD Aggregate	-0.0%	0.1%	-1.5%	1.0%	-0.9%	-1.9%	—	—	—	—	—	—
EM Hard-Currency	-0.1%	0.0%	0.3%	3.3%	1.6%	7.2%	—	—	—	—	—	—
EM Local-Currency	0.1%	0.1%	-0.3%	2.8%	1.7%	3.8%	—	—	—	—	—	—
Morningstar LSTA Leveraged Loan	0.0%	0.1%	0.1%	1.9%	1.3%	4.4%	—	—	—	—	—	—







Source: Morgan Stanley Wealth Management GIO, Bloomberg, FactSet. [1]Data for HFRI Fund of Funds as of May 31, 2026. YTD starts Dec. 31, 2025, and 1Y starts Jun. 30, 2025.
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.

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

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

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, since these countries may have relatively unstable governments and less established markets and economies.

Alternative investments which may be referenced in this report, including private equity funds, real estate funds, hedge funds, managed futures funds, and funds of hedge funds, private equity, and managed futures funds, are speculative and entail significant risks that can include losses due to leveraging or other speculative investment practices, lack of liquidity, volatility of returns, restrictions on transferring interests in a fund, potential lack of diversification, absence and/or delay of information regarding valuations and pricing, complex tax structures and delays in tax reporting, less regulation and higher fees than mutual funds and risks associated with the operations, personnel and processes of the advisor.

Investing in commodities entails significant risks. Commodity prices may be affected by a variety of factors at any time, including but not limited to, (i) changes in supply and demand relationships, (ii) governmental programs and policies, (iii) national and international political and economic events, war and terrorist events, (iv) changes in interest and exchange rates, (v) trading activities in commodities and related contracts, (vi) pestilence, technological change and weather, and (vii) the price volatility of a commodity. In addition, the commodities markets are subject to temporary distortions or other disruptions due to various factors, including lack of liquidity, participation of speculators and government intervention.

Physical precious metals are non-regulated products. Precious metals are speculative investments, which may experience short-term and long term price volatility. The value of precious metals investments may fluctuate and may appreciate or decline, depending on market conditions. If sold in a declining market, the price you receive may be less than your original investment. Unlike bonds and stocks, precious metals do not make interest or dividend payments. Therefore, precious metals may not be appropriate for investors who require current income. Precious metals are commodities that should be safely stored, which may impose additional costs on the investor. The Securities Investor Protection Corporation ("SIPC") provides certain protection for customers' cash and securities in the event of a brokerage firm's bankruptcy, other financial difficulties, or if customers' assets are missing. SIPC insurance does not apply to precious metals or other commodities.

Bonds are subject to interest rate risk. When interest rates rise, bond prices fall; generally the longer a bond's maturity, the more sensitive it is to this risk. Bonds may also be subject to call risk, which is the risk that the issuer will redeem the debt at its option, fully or partially, before the scheduled maturity date. The market value of debt instruments may fluctuate, and proceeds from sales prior to maturity may be more or less than the amount originally invested or the maturity value due to changes in market conditions or changes in the credit quality of the issuer. Bonds are subject to the credit risk of the issuer. This is the risk that the issuer might be unable to make interest and/or principal payments on a timely basis. Bonds are also subject to reinvestment risk, which is the risk that principal and/or interest payments from a given investment may be reinvested at a lower interest rate.

Bonds rated below investment grade may have speculative characteristics and present significant risks beyond those of other securities, including greater credit risk and price volatility in the secondary market. Investors should be careful to consider these risks alongside their individual circumstances, objectives and risk tolerance before investing in high-yield bonds. High yield bonds should comprise only a limited portion of a balanced portfolio.

Interest on **municipal bonds** is generally exempt from federal income tax; however, some bonds may be subject to the alternative minimum tax (AMT). Typically, state tax-exemption applies if securities are issued within one's state of residence and, if applicable, local tax-exemption applies if securities are issued within one's city of residence.

Treasury Inflation Protection Securities' (TIPS) coupon payments and underlying principal are automatically increased to compensate for inflation by tracking the consumer price index (CPI). While the real rate of return is guaranteed, TIPS tend to offer a low return. Because the return of TIPS is linked to inflation, TIPS may significantly underperform versus conventional U.S. Treasuries in times of low inflation.

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

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

Investing in smaller companies involves greater risks not associated with investing in more established companies, such as business risk, significant stock price fluctuations and illiquidity.

Stocks of medium-sized companies entail special risks, such as limited product lines, markets, and financial resources, and greater market volatility than securities of larger, more-established companies.

Asset allocation and diversification do not assure a profit or protect against loss in declining financial markets.

REITs investing risks are similar to those associated with direct investments in real estate: property value fluctuations, lack of liquidity, limited diversification and sensitivity to economic factors such as interest rate changes and market recessions.

Because of their narrow focus, **sector investments** tend to be more volatile than investments that diversify across many sectors and companies. **Technology stocks** may be especially volatile. Risks applicable to companies in the **energy and natural resources sectors** include commodity pricing risk, supply and demand risk, depletion risk and exploration risk.

Investing in foreign emerging markets entails greater risks than those normally associated with domestic markets, such as political, currency, economic and market risks.

Investing in foreign markets entails greater risks than those normally associated with domestic markets, such as political, currency, economic and market risks. **Investing in currency** involves additional special risks such as credit, interest rate fluctuations, derivative investment risk, and domestic and foreign inflation rates, which can be volatile and may be less liquid than other securities and more sensitive to the effect of varied economic conditions. In addition, international investing entails greater risk, as well as greater potential rewards compared to U.S. investing. These risks include political and economic uncertainties of foreign countries as well as the risk of currency fluctuations. These risks are magnified in countries with emerging markets, since these countries may have relatively unstable governments and less established markets and economies.

Value investing does not guarantee a profit or eliminate risk. Not all companies whose stocks are considered to be value stocks are able to turn their business around or successfully employ corrective strategies which would result in stock prices that do not rise as initially expected.

Growth investing does not guarantee a profit or eliminate risk. The stocks of these companies can have relatively high valuations. Because of these high valuations, an investment in a growth stock can be more risky than an investment in a company with more modest growth expectations.

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

Certain securities referred to in this material may not have been registered under the U.S. Securities Act of 1933, as amended, and, if not, may not be offered or sold absent an exemption therefrom. Recipients are required to comply with any legal or contractual restrictions on their purchase, holding, sale, exercise of rights or performance of obligations under any securities/instruments transaction.

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.

The **indices** are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only and do not represent the performance of any specific investment.

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

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