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## The Caruso-Colonna Group at Morgan Stanley March 2025 Newsletter

**Our Mission:**  
**To Gain and Maintain Financial Freedom**

***"The happiness of your life depends upon the quality of your thoughts."*** Marcus Aurelius

**Our Stressed World:** The world and its events seem to be revolving at an ever more rapid pace. People are stressed, anxious, and burned out. Anxiety levels are possibly as high as we have seen them in some time. The country's divisions appear as stark as ever.

Despite abundance and prosperity, many people do not seem happy. More than a few are convinced that current events are different this time. We are at a unique place in history. The polarization of our politics bothers them. It has them worried.

Maybe it was not an accident that we spent time recently with the writings of one of history's great stoic philosophers. We think his wisdom may be more relevant than ever.

Our quote above is from Marcus Aurelius. He was a philosopher and Emperor of the Roman Empire from 161 – 180 AD. In his adult life he kept diaries, a dozen in all. He did not expect his writings to be preserved. They are remarkably candid, perceptive, and available in a book entitled "*Meditations.*" (1) A few of his writings, among many, stand out to us:

*"Look back at the past and all the changes that things went through in those days. You can also foresee the future, because it will be the same in all respects, incapable of deviating from the rhythm established by present events. It follows that, for observing human life, forty years is as good ten thousand since there's nothing more to be seen."*

*"Time is a sort of river of passing events, and strong is its current; no sooner is a thing brought to sight than it is swept by, and another takes its place, and this too will be swept away."*

*"Let not your mind run on what you lack as much as on what you have already."*

*"You have power over your mind, not outside events. Realize this, and you will find strength."*

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This is sage wisdom from a man who has been dead for nearly two thousand years. It reinforces that human behavior is little changed over time, including people's proclivity to worry. Marcus clearly understood that people harbor fears and anxieties because he also wrote this:

*"When you arise in the morning, think of what a precious privilege it is to be alive - to breathe, to think, to enjoy, to love."*

That seems to be clear advice on how to be happy, content, and less stressed. It stands to reason that Marcus and the citizens of Rome had worries in their day. If not, why else would he have written about them?

We believe the last quote on page one is as powerful as any. We should not let outside events control our minds. When we exert power and control over thoughts and emotions, we are in a better frame of mind and a position of strength. In this position, we believe people can make better personal, business, and investment decisions.

Regardless of what worries us today, remember that most of it is beyond our control. Individually, we cannot control markets, tariffs, politics, nations, our neighbors... We can control us.

The events of today will eventually pass by. Another event – a thing that may worry you in the next moment – will take its place. That too will be swept away in life's river of passing events.

In our experience, controlling one's mind and emotions is vital to the pursuit of financial freedom. The future may very well look like the present events of today. We cannot guarantee that of course, but Marcus wrote about topics that are relevant today. We sense that little about modern society would surprise him except for the technical advances.

We believe society will continue to progress. Be grateful for what you have. Control your mind and your decisions. Focus on the privilege of being alive.

**Markets and The Economy:** US equity markets finished February flat or with modest declines. Investors continued to digest political changes in Washington DC. A rotation from growth to value stocks seems to be taking hold this year. Through February the NYSE Composite index is outpacing the NASDAQ composite and market-cap weighted S&P 500 indices. The Russell value indices are generally outpacing their growth counterparts.

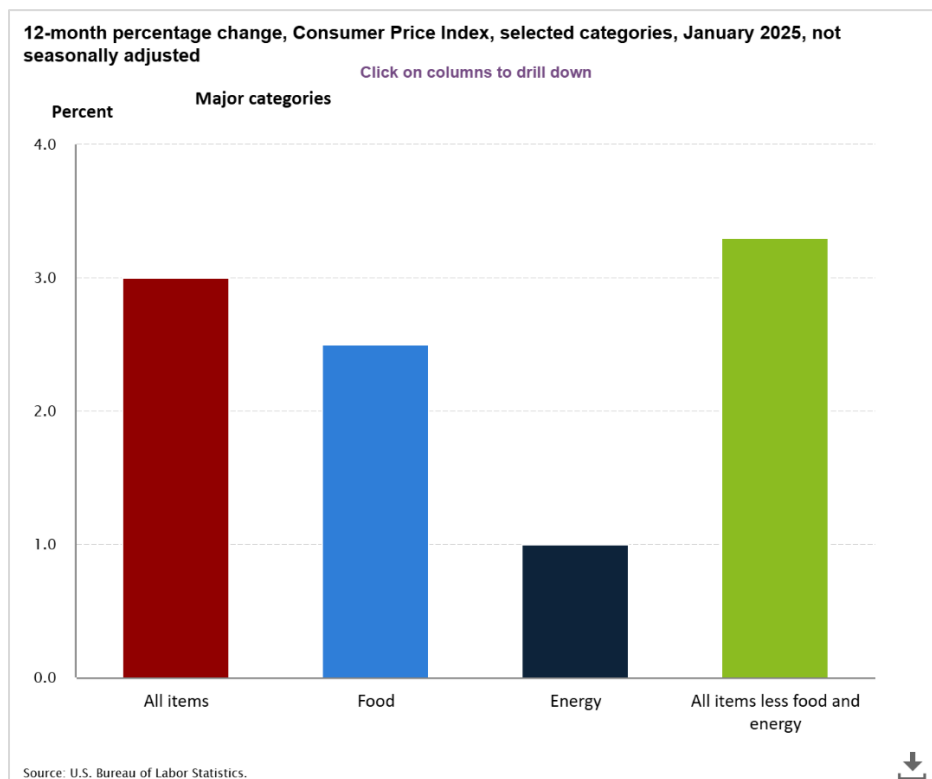
European bourses are enjoying a strong 2025. Most are posting double-digit gains since 2024 year-end. Hong Kong and China's markets are likewise experiencing a strong start. Japan's Nikkei 225 index is flat on the year.

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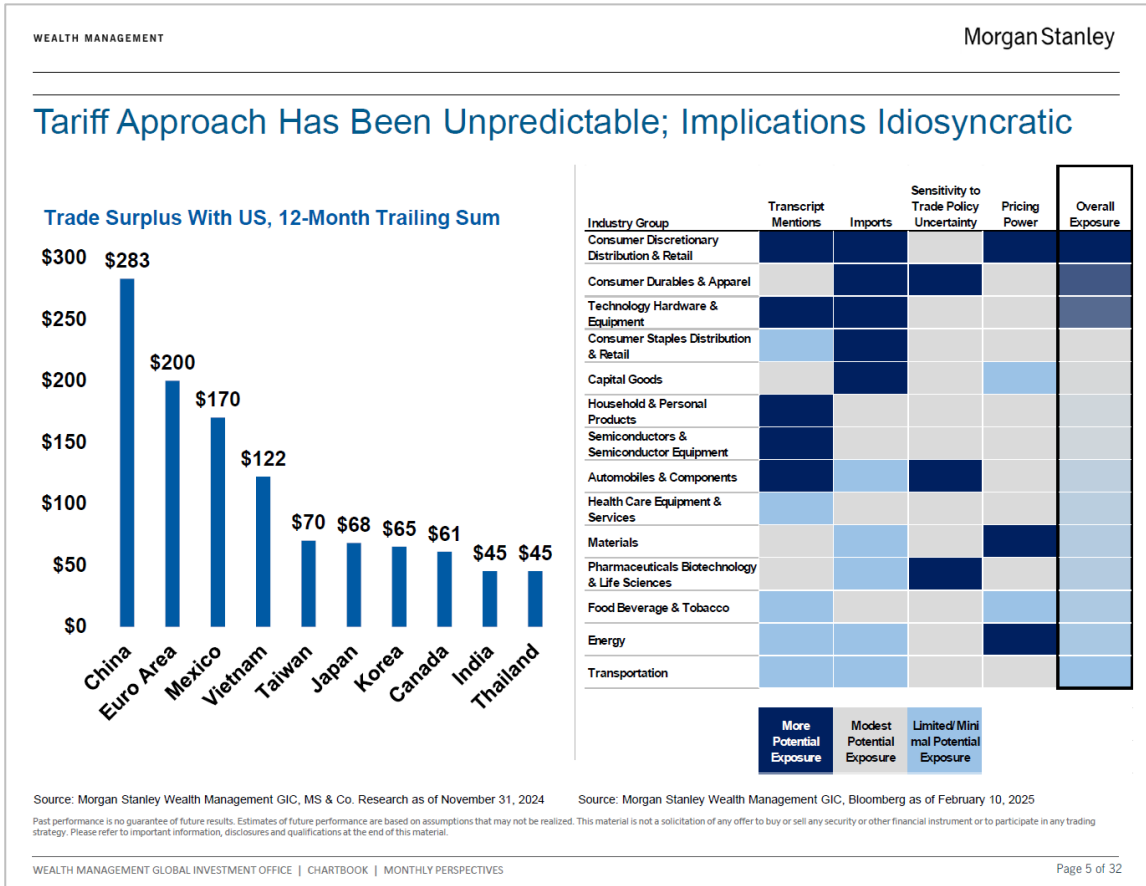
Oil prices are down roughly 12% while natural gas futures have risen more than 100% over the past year. Gold and silver prices also continued to experience support in the face of persistent inflation and global unease. The US Treasury yield curve is little changed over the past three months. It remains flat over the entire thirty-year time span. The US Dollar continues to maintain its strength as well. Market data details can be found at the end of this letter in the attached Capital Market Indices report.

Inflation continues to persist at levels above the trend of the past two decades. The twelve-month change in the Consumer Price Index is below. (2) The average twelve-month percentage change for all items is still at 3%, which is 50% higher than the Federal Reserve's 2% annual target. So called "core inflation" which strips out the effects of food and energy remains above 3%.

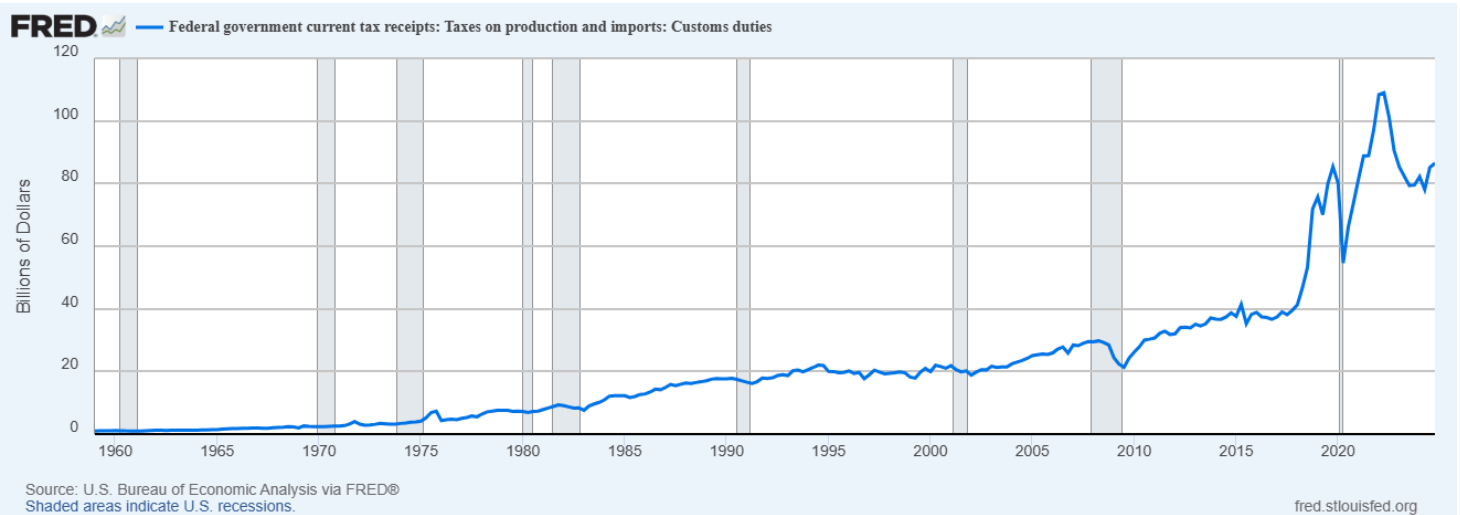
Our belief is that higher inflation levels for goods, services, and labor costs will continue to make it difficult for the Federal Reserve to consider near-term interest rate cuts. We will not be surprised if interest rates remain higher for longer.



Tariffs remain at the forefront of US policy debate. The chart on the next page shows how various industry groups may be impacted by them. Domestically oriented groups such as energy, food & beverage, and transportation would seem to be less exposed. Consumer discretionary companies probably have some of the highest exposures. The left side of the chart below shows each country or area's US trade surplus. For example, China exports \$283 billion more per year to America. America runs a trade deficit with most of the world.



We have often said we are not proponents of blanket tariffs. They have become a politicized issue that can impact trade and global relations. It is interesting however that US tariff revenue reached record highs the past four years. Between 2015 – 2022, tariff revenue nearly tripled, but the economy seemed little affected. (3) If new tariffs take hold with some permanence, we hope to see our nation’s economy adapt and continue expanding.



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We do not know for sure where the tariff debate, “DOGE”, and all the other things ongoing in Washington DC will take us. Daily now, we are hearing people’s worries about business health and the wisdom of being an equity investor. These worries are why we spent the first two pages writing about worries and happiness.

The concerns of the day have people asking if they should be pivoting heavily to cash, an attempt at market timing. We have heard more than once lately that Warren Buffett seems to be cash heavy right now. But we find his comments about cash in his February 2025 annual letter illuminating:

*“Despite what some commentators currently view as an extraordinary cash position at Berkshire, the great majority of your money remains in equities....we will forever deploy a substantial majority of money in equities – mostly American equities although many of these will have international operations of significance. Berkshire will never prefer ownership of cash-equivalent assets over the ownership of good businesses, whether controlled or only partially owned. Paper money can see its value evaporate if fiscal folly prevails. In some countries, this reckless practice has become habitual, and, in our country’s short history, the U.S. has come close to the edge. Fixed-coupon bonds provide no protection against runaway currency.*

*Businesses, as well as individuals with desired talents, however, will usually find a way to cope with monetary instability as long as their goods or services are desired by the country’s citizenry. So, too, with personal skills. Lacking such assets as athletic excellence, a wonderful voice, medical or legal skills or, for that matter, any special talents, I have had to rely on equities throughout my life. In effect, I have depended on the success of American businesses, and I will continue to do so.” (4)*

We have significant respect for Warren Buffett’s wisdom and business experience. We find nothing to disagree with in his annual letter comments. Demand for goods and services will continue. Free market systems are remarkably adaptive, as are talented people. Our confidence in our system, and the constancy of life’s river of events, remains soundly intact.

(1) *Meditations*, Marcus Aurelius

(2) Source: US Bureau of Labor Statistics, 3/1/2025

(3) U.S. Bureau of Economic Analysis, Federal government current tax receipts: Taxes on production and imports: Customs duties [B235RC1Q027SBEA], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/B235RC1Q027SBEA>, March 4, 2025.

(4) Warren Buffett Annual Letter, February 22, 2025

(5) AUM data as of 3/4/2025



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

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

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## Capital Market Indices

Monday, March 3, 2025

US Equities	Feb-28	1D	WTD	MTD	QTD	YTD	1Y
S&P 500	5,954.50	1.6%	-1.0%	-1.3%	1.4%	1.4%	19.0%
Dow Jones Industrial Avg.	43,840.91	1.4%	1.0%	-1.4%	3.3%	3.3%	14.6%
NASDAQ Composite	18,847.28	1.6%	-3.5%	-3.9%	-2.3%	-2.3%	19.0%
NYSE Composite	20,028.19	1.1%	0.8%	0.3%	5.2%	5.2%	16.6%
AMEX Composite	4,919.42	0.6%	-2.9%	0.5%	5.1%	5.1%	12.8%
Americas Equities (USD)	Feb-28	1D	WTD	MTD	QTD	YTD	1Y
Canada S&P	17,585.49	1.0%	-0.5%	-0.7%	2.7%	2.7%	15.8%
Mexico IPC	2,543.86	-0.9%	-0.9%	2.0%	7.4%	7.4%	-18.8%
Brazil Bovespa	20,862.20	-2.6%	-6.4%	-3.5%	7.2%	7.2%	-20.5%
Europe Equities (USD)	Feb-28	1D	WTD	MTD	QTD	YTD	1Y
UK FTSE 100	11,091.46	0.4%	1.4%	3.1%	8.9%	8.9%	19.2%
Eurozone STOXX 50	5,680.44	-0.3%	-0.8%	3.3%	12.4%	12.4%	10.9%
France CAC 40	8,433.66	0.0%	-1.2%	1.8%	10.5%	10.5%	0.9%
Germany DAX	23,446.72	-0.1%	0.5%	3.5%	13.3%	13.3%	22.9%
Spain IBEX 35	13,877.19	0.5%	2.4%	7.7%	16.2%	16.2%	33.0%
Asia Equities (USD)	Feb-28	1D	WTD	MTD	QTD	YTD	1Y
Japan Nikkei 225	247.09	-3.1%	-4.9%	-3.3%	-2.6%	-2.6%	-3.4%
Hang Seng Hong Kong	2,949.70	-3.3%	-2.4%	13.6%	14.6%	14.6%	46.4%
China Shenzhen Comp.	278.35	-3.0%	-3.4%	5.5%	3.9%	3.9%	23.7%
Alternatives	Feb-28	1D	WTD	MTD	QTD	YTD	1Y
DJ Equity All REIT	-	-	-	-	-	-	-
Alerian Midstream Energy Select	1,535.92	2.8%	1.4%	1.8%	5.3%	5.3%	45.0%
HFRX Global Hedge Fund	1,502.84	0.0%	-0.1%	0.2%	1.2%	1.2%	5.3%
HFR1 Fund of Funds <sup>1</sup>	8,338.35	-	-	0.0%	1.2%	1.2%	9.7%
Credit Suisse Managed Futures	409.67	-	-	0.7%	0.7%	2.3%	-
Commodities	Feb-28	1D	WTD	MTD	QTD	YTD	1Y
Bloomberg Commodity	102.75	-1.5%	-3.8%	0.4%	4.0%	4.0%	6.3%
... Ex-Energy	115.85	-1.5%	-4.0%	-1.2%	3.3%	3.3%	9.3%
... Ex-Precious Metals	126.27	-1.4%	-3.7%	1.0%	4.2%	4.2%	5.7%
CRB Index	539.22	-0.8%	-2.1%	-0.5%	0.5%	0.5%	3.0%
Bloomberg Agriculture	57.99	-1.5%	-5.3%	-2.6%	1.7%	1.7%	-1.3%
Bloomberg Energy	31.25	-1.3%	-3.3%	4.5%	6.0%	6.0%	0.0%
WTI Crude Oil Futures	69.76	-0.8%	-0.9%	-3.8%	-2.7%	-2.7%	-11.2%
Brent Crude Oil Futures	73.18	-1.2%	-1.7%	-4.7%	-2.0%	-2.0%	-12.5%
Gasoline Futures	1.97	-1.3%	-2.8%	-3.3%	-1.6%	-1.6%	-13.2%
Natural Gas Futures	3.83	-2.5%	-9.4%	26.0%	5.5%	5.5%	103.4%
Bloomberg Ind. Metals	145.15	-1.4%	-2.2%	2.4%	3.4%	3.4%	6.1%
Copper Futures	4.51	-1.4%	-1.0%	5.5%	12.1%	12.1%	17.9%
Bloomberg Prec. Metals	284.29	-1.7%	-4.0%	-0.4%	6.8%	6.8%	31.5%
Gold Futures	2,848.50	-1.6%	-3.0%	1.3%	7.9%	7.9%	39.4%
Silver Futures	31.22	-1.8%	-5.4%	-3.2%	6.8%	6.8%	39.3%
Palladium Futures	899.70	-0.2%	-9.2%	-16.1%	-1.1%	-1.1%	-2.0%
Platinum Futures	937.90	-2.1%	-5.0%	-10.1%	4.9%	4.9%	6.0%
Bloomberg Softs	69.60	-1.2%	-5.0%	1.1%	8.2%	8.2%	24.3%

US Size-Style	Feb-28	1D	WTD	MTD	QTD	YTD	1Y
Russell 3000	3,389.87	1.6%	-1.0%	-1.9%	1.2%	1.2%	18.2%
Russell 3000 Growth	3,102.48	1.7%	-2.5%	-3.7%	-1.8%	-1.8%	19.9%
Russell 3000 Value	2,492.28	1.3%	0.8%	0.2%	4.7%	4.7%	15.8%
S&P 500	5,954.50	1.6%	-1.0%	-1.3%	1.4%	1.4%	19.0%
S&P 500 Equal Weight	7,285.88	1.1%	0.2%	-0.6%	2.9%	2.9%	13.1%
S&P 500 Growth	4,078.81	1.8%	-2.2%	-2.9%	-0.3%	-0.3%	23.9%
S&P 500 Value	1,942.92	1.3%	0.4%	0.4%	3.3%	3.3%	12.4%
Russell 1000	3,259.07	1.6%	-1.0%	-1.7%	1.4%	1.4%	18.7%
Russell 1000 Growth	3,970.65	1.8%	-2.6%	-3.6%	-1.7%	-1.7%	20.6%
Russell 1000 Value	1,909.95	1.4%	0.9%	0.4%	5.1%	5.1%	16.1%
Russell Midcap	3,572.10	1.2%	-0.4%	-2.8%	1.3%	1.3%	13.0%
Russell Midcap Growth	2,050.96	1.3%	-2.6%	-5.7%	0.3%	0.3%	15.2%
Russell Midcap Value	3,020.31	1.2%	0.3%	-1.8%	1.6%	1.6%	12.5%
Russell 2000	2,163.07	1.1%	-1.4%	-5.4%	-2.9%	-2.9%	7.5%
Russell 2000 Growth	1,412.91	1.3%	-2.2%	-6.8%	-3.8%	-3.8%	6.4%
Russell 2000 Value	2,415.46	0.9%	-0.6%	-3.8%	-1.9%	-1.9%	8.6%
S&P 500 Sectors	Feb-28	1D	WTD	MTD	QTD	YTD	1Y
Communication Services	348.89	1.4%	-2.5%	-6.3%	2.3%	2.3%	30.7%
Consumer Discretionary	1,731.52	1.8%	-2.1%	-9.4%	-5.4%	-5.4%	18.5%
Consumer Staples	918.34	1.3%	1.3%	5.7%	7.9%	7.9%	19.0%
Energy	689.88	1.5%	0.2%	4.0%	6.1%	6.1%	9.6%
Financials	866.84	2.1%	2.8%	1.4%	8.0%	8.0%	31.4%
Health Care	1,734.28	1.2%	1.7%	1.5%	8.4%	8.4%	3.8%
Industrials	1,152.54	1.4%	1.2%	-1.4%	3.5%	3.5%	14.7%
Information Technology	4,411.29	1.7%	-4.0%	-1.3%	-4.2%	-4.2%	19.8%
Materials	558.18	0.9%	0.8%	0.0%	5.6%	5.6%	4.0%
Real Estate	271.05	0.8%	2.2%	4.2%	6.1%	6.1%	15.3%
Utilities	400.57	1.6%	-1.3%	1.7%	4.7%	4.7%	31.9%
MSCI Indices (USD)	Feb-28	1D	WTD	MTD	QTD	YTD	1Y
All Country World	862.95	0.7%	-1.3%	-0.6%	2.8%	2.8%	16.1%
... ex-US	343.01	-1.1%	-1.8%	1.4%	5.5%	5.5%	10.5%
World	3,805.33	1.0%	-1.0%	-0.7%	2.8%	2.8%	16.7%
... ex-US	2,455.14	-0.6%	-0.7%	1.8%	6.9%	6.9%	10.4%
USA	5,685.86	1.6%	-1.0%	-1.6%	1.4%	1.4%	19.2%
EAFE	2,422.66	-0.8%	-0.8%	2.0%	7.3%	7.3%	9.6%
Pacific	3,089.35	-2.3%	-2.8%	-1.3%	0.9%	0.9%	5.0%
Japan	10.96	-2.5%	-3.0%	-1.2%	0.5%	0.5%	2.0%
Pacific Ex-Japan	1,367.91	-1.5%	-2.3%	-1.2%	2.3%	2.3%	11.8%
All Country Asia ex-Japan	715.24	-2.5%	-4.2%	1.1%	1.8%	1.8%	15.0%
Europe	194.49	-0.0%	0.1%	3.4%	10.9%	10.9%	11.7%
... Ex-UK	230.77	-0.1%	-0.3%	3.5%	11.5%	11.5%	9.7%
Emerging Markets	1,097.25	-2.4%	-4.3%	0.5%	2.3%	2.3%	10.8%
Brazil	1,249.91	-2.4%	-5.7%	-4.7%	7.1%	7.1%	-21.0%
China	9.37	-3.6%	-4.3%	11.7%	12.8%	12.8%	39.8%
India	29.45	-2.3%	-4.6%	-8.0%	-11.2%	-11.2%	-4.7%
Mexico	5,303.75	-0.9%	-3.2%	3.2%	7.0%	7.0%	-17.6%
Frontier Markets	558.61	-0.7%	-0.1%	1.8%	4.9%	4.9%	11.8%

USD SOFR Rates	Feb-28	3M Ago	1Y Ago
One-Month	4.32%	4.53%	5.33%
Three-Month	4.32%	4.47%	5.34%
Six-Month	4.26%	4.38%	5.29%
One-Year	4.13%	4.25%	5.09%
US Bank Rates	Feb-28	3M Ago	1Y Ago
Federal Funds	4.31%	4.56%	5.31%
Discount Rate	4.50%	4.75%	5.50%
Prime Rate	7.50%	7.75%	8.50%
Volatility	Feb-28	1D Chg.	4W Ago
CBOE Volatility (VIX)	19.63	-1.50	16.41
Treasury Bond Volatility	104.46	8.51	92.83
FX Volatility	8.09	2.28	7.73
FX Rates	Feb-28	1D Chg.	1D % FX
US Dollar Spot Rate (DXY)	107.61	0.37	0.3%
Euro (EUR/USD)	1.0375	-0.00	-0.2%
British Pound (GBP/USD)	1.2577	-0.00	-0.2%
Swiss Franc (USD/CHF)	0.9031	0.00	-0.4%
Japanese Yen (USD/JPY)	150.63	0.82	-0.5%
Australian Dollar (AUD/USD)	0.6209	-0.00	-0.4%
Canadian Dollar (USD/CAD)	1.4461	0.00	-0.2%
New Zealand Doll. (NZD/USD)	0.5598	-0.00	-0.6%
Hong Kong Doll. (USD/HKD)	7.7787	0.00	-0.0%
Singapore Dollar (USD/SGD)	1.3514	0.00	-0.2%
Chinese Renminbi (USD/CNY)	7.2784	-0.01	0.1%
Indian Rupee (USD/INR)	87.51	0.31	-0.4%
Mexican Peso (USD/MXN)	20.55	0.06	-0.3%
Brazilian Real (USD/BRL)	5.8844	0.05	-0.9%

Source: Bloomberg, FactSet, Morgan Stanley Wealth Management GIO. <sup>1</sup>Data for HFR1 Fund of Funds as of 1/31/2025 and data for Credit Suisse Managed Futures as of 1/31/2025. YTD starts 12/31/2024, and 1Yr starts 2/28/2024. - indicates a closed market with no data available for a specific date.

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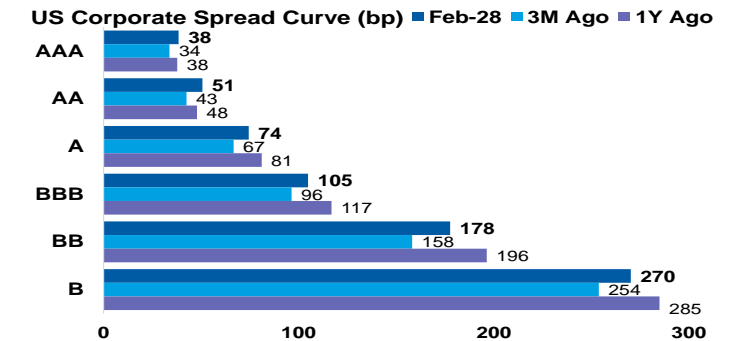
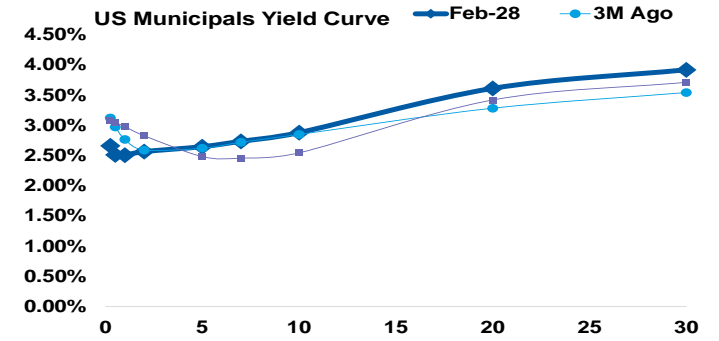
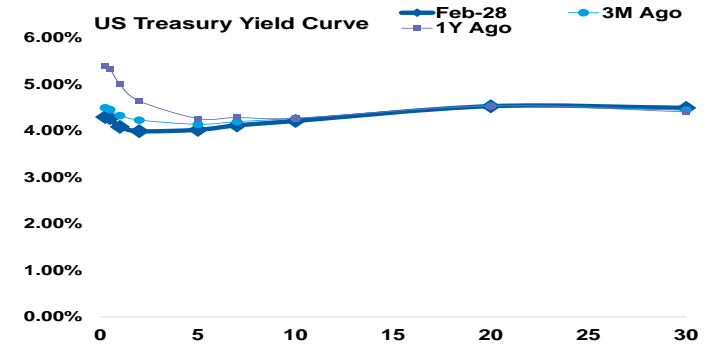
# Capital Market Indices

Monday, March 3, 2025

US Bond Yields		Treasury					AAA General Obligation (GO) Municipals						
Maturity	Feb-28	1D Chg.	Dec-31	3M Ago	6M Ago	1Y Ago	Feb-28	%UST	1D Chg.	Dec-31	3M Ago	6M Ago	1Y Ago
Three-Month	4.29	-0.00	4.31	4.49	5.10	5.39	2.66	62%	0.00	3.32	3.12	2.65	3.07
Six-Month	4.27	-0.02	4.27	4.45	4.84	5.32	2.51	59%	0.00	3.18	2.97	2.59	3.04
One-Year	4.08	-0.03	4.14	4.32	4.39	5.00	2.51	61%	0.00	2.97	2.77	2.53	2.98
Two-Year	3.99	-0.06	4.24	4.23	3.87	4.64	2.56	64%	0.00	2.82	2.59	2.48	2.83
Five-Year	4.02	-0.05	4.38	4.14	3.67	4.26	2.65	66%	0.00	2.90	2.62	2.47	2.48
Seven-Year	4.11	-0.05	4.48	4.19	3.73	4.26	2.74	66%	0.00	3.00	2.72	2.54	2.46
10-Year	4.21	-0.05	4.57	4.26	3.83	4.26	2.88	68%	0.00	3.13	2.85	2.69	2.54
20-Year	4.52	-0.04	4.86	4.53	4.22	4.54	3.61	80%	0.00	3.64	3.28	3.36	3.42
30-Year	4.49	-0.04	4.78	4.44	4.12	4.40	3.92	87%	0.00	3.87	3.54	3.65	3.71

Bloomberg Indices		Returns					Option-Adjusted Spreads (bp)					
Index (USD, Unhedged)	1D	WTD	MTD	QTD	YTD	1Y	Feb-28	1D Chg.	Dec-31	3M Ago	6M Ago	1Y Ago
Multiverse	0.1%	0.4%	1.4%	2.0%	2.0%	3.5%	—	—	—	—	—	—
Global Aggregate	0.1%	0.4%	1.4%	2.0%	2.0%	3.2%	—	—	—	—	—	—
US Aggregate	0.4%	1.3%	2.2%	2.7%	2.7%	6.0%	32	0	34	32	37	41
US Treasury	0.4%	1.3%	2.2%	2.7%	2.7%	5.1%	—	—	—	—	—	—
... Short	0.0%	0.1%	0.3%	0.7%	0.7%	5.2%	—	—	—	—	—	—
... One- to Five-Year	0.2%	0.7%	1.0%	1.5%	1.5%	5.4%	—	—	—	—	—	—
... Five- to 10-Year	0.5%	1.6%	2.4%	3.1%	3.1%	5.4%	—	—	—	—	—	—
... 10- to 20-Year	0.9%	2.6%	4.6%	5.2%	5.2%	5.3%	—	—	—	—	—	—
... 20+-Year	1.2%	3.2%	5.6%	5.9%	5.9%	3.1%	—	—	—	—	—	—
US Corporate	0.3%	1.0%	2.0%	2.6%	2.6%	6.7%	87	3	80	79	94	95
... One- to Five-Year	0.1%	0.5%	0.9%	1.5%	1.5%	6.7%	62	2	60	55	69	72
... Intermediate-Term	0.2%	0.7%	1.4%	2.0%	2.0%	7.1%	76	2	71	69	83	87
... Long-Term	0.5%	1.7%	3.4%	3.8%	3.8%	5.8%	108	3	98	98	114	112
... AAA	0.5%	1.5%	3.0%	3.2%	3.2%	4.3%	38	2	33	34	36	38
... AA	0.4%	1.2%	2.2%	2.7%	2.7%	5.4%	51	2	45	43	50	48
... A	0.3%	1.1%	2.0%	2.6%	2.6%	6.2%	74	2	68	67	79	81
... BBB	0.3%	1.0%	2.0%	2.6%	2.6%	7.3%	105	3	97	96	115	117
US Securitized	0.4%	1.3%	2.5%	3.0%	3.0%	6.7%	34	-0	45	43	43	53
... Mtge.-Backed Securities (MBS)	0.4%	1.4%	2.5%	3.1%	3.1%	6.7%	31	-0	43	41	39	50
... Commercial MBS	0.3%	1.0%	1.6%	2.3%	2.3%	7.4%	86	0	87	92	107	114
... Asset-Backed Securities (ABS)	0.2%	0.6%	1.0%	1.3%	1.3%	6.3%	50	1	44	45	64	57
US Municipal	0.0%	0.6%	1.0%	1.5%	1.5%	3.1%	—	—	—	—	—	—
... One- to Five-Year	0.0%	0.3%	0.7%	1.2%	1.2%	3.2%	—	—	—	—	—	—
... One- to 10-Year	0.0%	0.5%	0.9%	1.6%	1.6%	2.9%	—	—	—	—	—	—
... 10+-Year	0.0%	0.7%	1.1%	1.5%	1.5%	3.1%	—	—	—	—	—	—
US TIPS	—	—	2.2%	3.5%	3.5%	6.6%	—	—	—	—	—	—
US High Yield Corporate	0.0%	0.4%	0.7%	2.0%	2.0%	10.2%	280	5	287	266	310	314
... BB	0.1%	0.5%	0.7%	2.0%	2.0%	8.7%	178	4	179	158	181	196
... B	-0.0%	0.3%	0.6%	2.0%	2.0%	9.3%	270	5	277	254	284	285
... CCC	-0.1%	0.1%	0.3%	1.8%	1.8%	16.2%	547	-6	558	528	755	758
US High Yield Municipal	0.0%	0.6%	1.2%	2.0%	2.0%	8.4%	—	—	—	—	—	—
Global ex-USD Aggregate	-0.1%	-0.3%	0.8%	1.4%	1.4%	0.9%	—	—	—	—	—	—
EM Hard-Currency	0.2%	0.8%	1.5%	2.6%	2.6%	9.0%	—	—	—	—	—	—
EM Local-Currency	-0.3%	-0.7%	-0.1%	1.3%	1.3%	4.1%	—	—	—	—	—	—
Morningstar LSTA Leveraged Loan	-0.1%	-0.0%	0.1%	0.8%	0.8%	8.1%	—	—	—	—	—	—



Source: Bloomberg, FactSet, Morgan Stanley Wealth Management GIO. 1Data for HFRI Fund of Funds as of 1/31/2025 and data for Credit Suisse Managed Futures as of 1/31/2025. YTD starts 12/31/2024, and 1Yr starts 2/28/2024. – indicates a closed market with no data available for a specific date.

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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.