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The Caruso-Colonna Group at Morgan Stanley
September 2026 Newsletter

Our Mission: To Gain and Maintain Financial Freedom

"I used to think that if there was reincarnation, I wanted to come back as the president or the pope or as a .400 baseball hitter. But now I would like to come back as the bond market. You can intimidate everybody." James Carville

Markets and Vigilantes:

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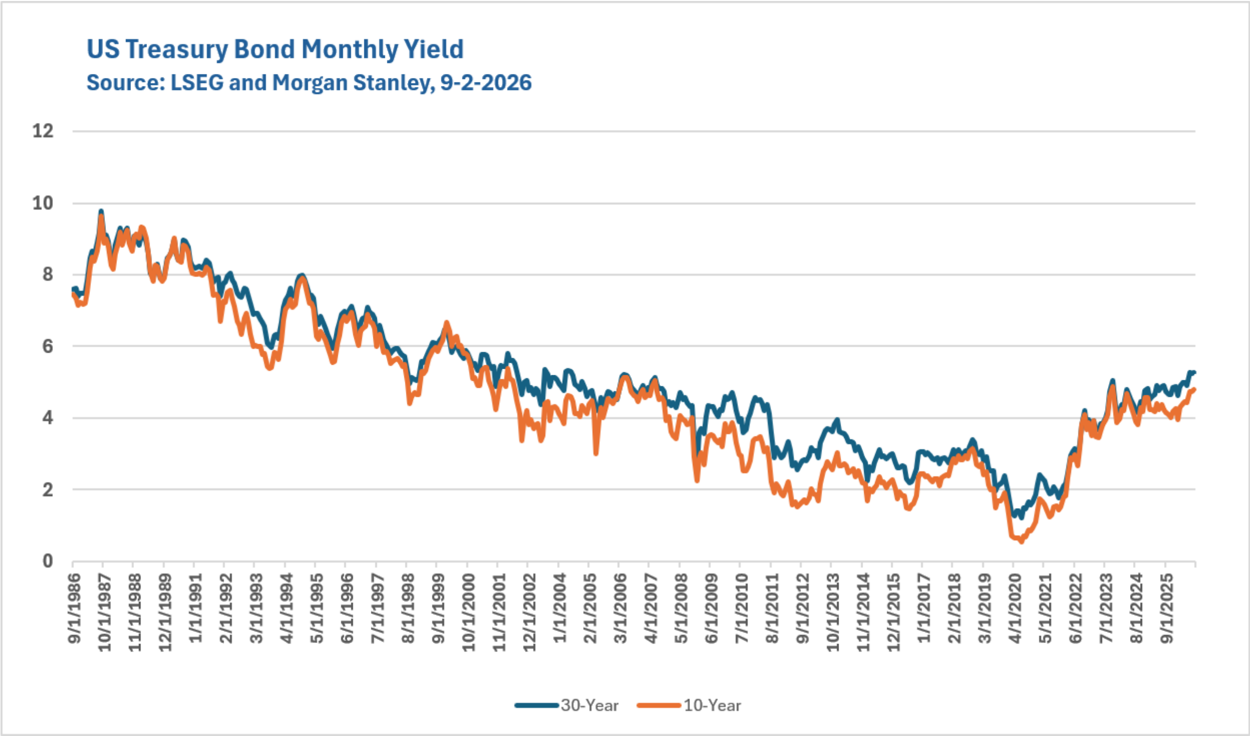
We begin this month's newsletter not with a discussion about stocks or equity markets. Instead, we begin with US Treasury Bonds. The graph below is a forty-year chart showing the monthly closing yield for 30-year and 10-year US Treasury bonds. (1) I graduated from college in 1986 and remember 10% interest rates. My first car loan was, if I recall correctly, a three-year note at 10.5% interest. Such a car loan rate would shock people today.

What, you may ask, might be happening to Treasury yields? And why might it matter?



If you are a reader of financial news or perhaps you follow financial news on one of the cable networks, you might know that this story about bond yields is receiving considerable attention. We are currently seeing a plethora of stories about bond investors selling because of their concern and dissatisfaction about US Treasury debt now exceeding $40 trillion dollars. (2)

Our long-time readers know how often we opine about the nation's accumulating federal debt. It is our view that a broader awakening about the debt problem may be occurring. The forty-year interest rate decline that commenced in the mid-1980s may have finally found its bottom in 2020. Today, 10 and 30-year Treasury yields are at twenty-year highs. (1)

The so-called 'bond vigilantes' may have returned. Those born well after the 1980's may not be familiar with this term.

The phrase was coined in the 1980's by economist and analyst Ed Yardeni (3) to describe bond investors who sell government bonds as a form of protest over what they view as irresponsible and inflationary fiscal and monetary policies. The theory is that disgruntled investors sell their bonds which drives down prices and increases interest rates. Higher interest rates created by bond selling make it more expensive for the government to borrow. Essentially, the thinking is that if the government and Fed will not responsibly regulate the economy, bond investors will.

Hence the term vigilante – meaning that bond traders are taking matters into their own hands. Stock markets get most of the financial press, but bond markets are far larger than stock markets. History has shown us that bond vigilantes can be influential. We think the uptick in yields since 2020 demonstrates this.

Why might this matter? Consumer interest rates for things like car loans, mortgages, credit cards, and more tend to follow the broad prevailing rates established not just by the Federal Reserve but by the bond markets themselves. Rising Treasury yields may contribute to higher consumer interest rates.

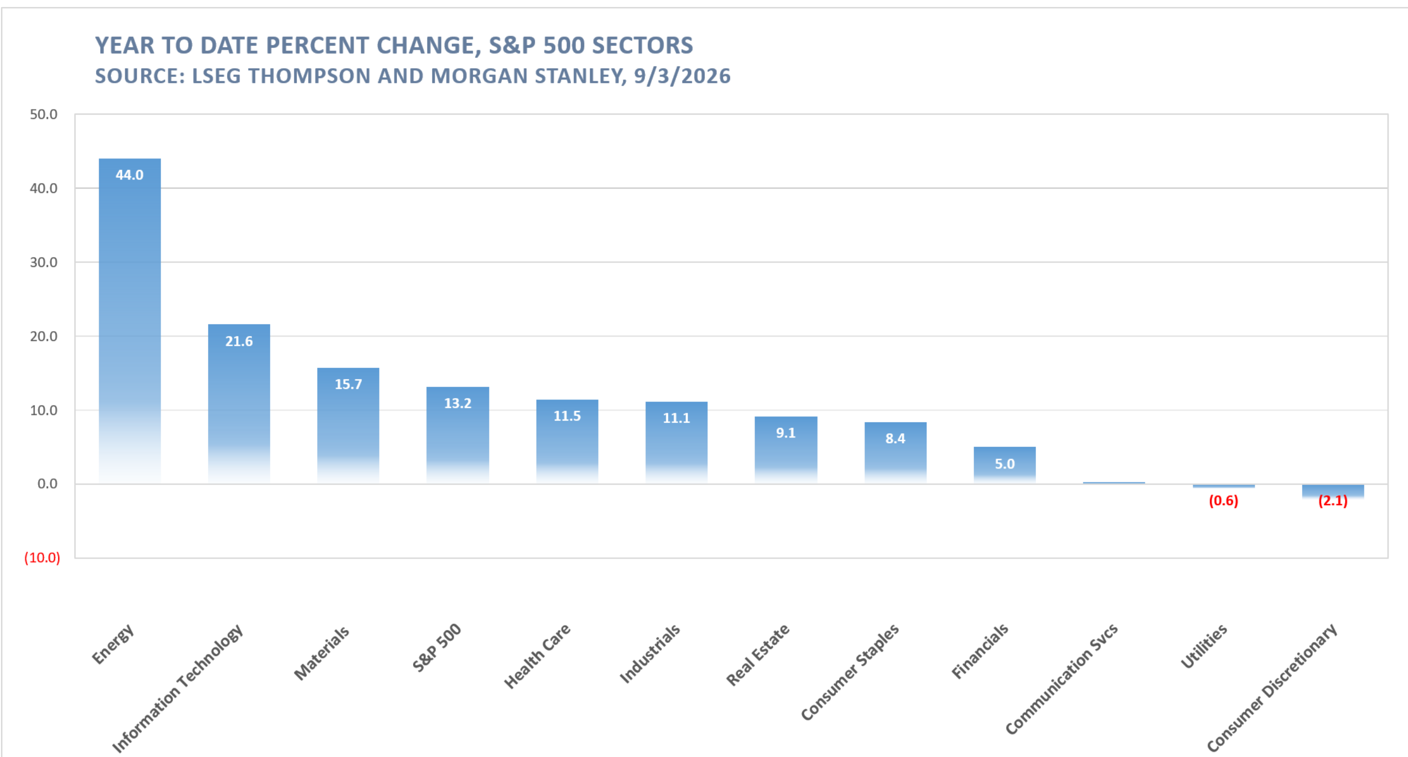
Higher rates could eventually pressure stock prices too. Stocks may face stiffer competition from higher yielding fixed income investments. The Capital Asset Pricing Model (CAPM) equation, which is one measure of stock valuations, uses interest rates in the denominator. Higher rates mean theoretically lower equity values, all other things being equal.

We think, perhaps most importantly, that investors might positively affect the trajectory of US Federal debt. It is not in the government's interest to experience higher interest rates because the debt cost for the US budget also increases. If the vigilantes force more fiscal discipline and the government begins to slow borrowing and spending, we believe this a good outcome. We believed this development could eventually occur, and the cost of prolific US spending may be reflected in higher borrowing costs.

Some reporters and market commentators seem concerned about these higher rates as if they are abnormal. For the past decade or more though, people have not experienced higher rates, or what we might call “normal” rates. Ten-year yields at 4.75% and thirty-year yields at 5.25% do not seem worrisome to us.

We do not think the US Treasury Bond markets are somehow acting senselessly or abnormally. It is our view that they are responding quite rationally. It makes perfect sense to us that a borrower with an already high level of debt, i.e. Uncle Sam, should expect to pay higher rates to borrow more.

Meanwhile, bond yields do not seem to be concerning equity investors all that much right now. Below is a chart of the S&P 500’s sector returns through 9/2/2026. Information technology rebounded in August to the second-best S&P sector. Energy, however, continues to dominate all sectors with a more than 44% year-to-date price return.



Corporate profit reports continue to be solid. Yes, interest rates can influence equity prices, but we believe corporate profits are more influential. We remind people that US equity markets enjoyed good long-term results from the mid-1980’s through the 1990’s when interest rates were considerably higher.

Years of low interest rates helped train young investors to believe that markets and our economy only function well with low rates. We think history proves this view to be incorrect.

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(1) Source: LSEG ThompsonOne, Morgan Stanley, 9/2/2026
(2) US Debt Just Topped $40 Trillion: How We Got Here, The Wall Street Journal, 8/19/2026
(3) https://www.investopedia.com/bond-vigilante-6386194, 9/3/2026
(4) AUM Data as of 9/3/2026

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

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

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Capital Market Indices

Tuesday, September 1, 2026

US Equities	Aug-31	1D	WTD	MTD	QTD	YTD	1Y
S&P 500	7,686.14	-0.3%	-0.3%	2.7%	2.7%	13.1%	21.2%
Dow Jones Industrial Avg.	53,185.90	-0.7%	-0.7%	1.5%	1.9%	11.8%	19.2%
NASDAQ Composite	26,370.89	-0.1%	-0.1%	4.0%	0.7%	13.9%	24.7%
NYSE Composite	24,461.95	-0.5%	-0.5%	1.7%	2.9%	12.7%	18.7%
AMEX Composite	8,801.15	0.0%	0.0%	4.2%	13.5%	29.5%	35.5%

Americas Equities (USD)	Aug-31	1D	WTD	MTD	QTD	YTD	1Y
Canada S&P	26,169.18	-0.4%	-0.4%	4.4%	7.0%	14.9%	28.9%
Mexico IPC	3,850.02	0.2%	0.2%	-0.2%	0.7%	9.9%	24.4%
Brazil Bovespa	34,250.73	1.7%	1.7%	-2.3%	2.9%	16.6%	33.0%

Europe Equities (USD)	Aug-31	1D	WTD	MTD	QTD	YTD	1Y
UK FTSE 100	14,652.80	0.0%	0.0%	0.7%	6.1%	12.4%	23.8%
Eurozone STOXX 50	7,458.30	-0.8%	-0.8%	1.9%	3.4%	12.4%	24.6%
France CAC 40	9,682.19	-0.5%	-0.5%	-1.2%	1.0%	3.9%	12.1%
Germany DAX	30,504.05	-0.9%	-0.9%	3.3%	6.9%	6.0%	11.5%
Spain IBEX 35	23,203.91	-0.1%	-0.1%	1.9%	5.0%	17.1%	40.2%

Asia Equities (USD)	Aug-31	1D	WTD	MTD	QTD	YTD	1Y
Japan Nikkei 225	415.28	0.2%	0.2%	2.9%	-3.5%	30.1%	48.1%
Hang Seng Hong Kong	3,261.68	-0.0%	-0.0%	-1.0%	12.4%	1.2%	2.9%
China Shenzhen Comp.	381.82	0.8%	0.8%	6.3%	-8.5%	6.4%	14.3%

Alternatives	Aug-31	1D	WTD	MTD	QTD	YTD	1Y
FTSE EPRA/NAREIT Global	1,868.40	-0.7%	-0.7%	-3.3%	-0.8%	9.0%	9.3%
Alerian Midstream Energy Select	952.92	1.3%	1.3%	2.8%	6.5%	32.2%	32.2%
HFRX Global Hedge Fund	1,662.26	0.0%	0.0%	0.9%	-0.3%	4.5%	7.7%
HFRI Fund of Funds[1]	9,685.40	-	-	0.0%	-2.0%	6.4%	11.7%
HFRX Macro/CTA Index	1,445.46	0.0%	0.0%	1.5%	-0.0%	5.7%	12.8%

Commodities	Aug-31	1D	WTD	MTD	QTD	YTD	1Y
Bloomberg Commodity	141.37	0.8%	0.8%	7.1%	14.8%	28.9%	36.4%
..Ex-Energy	153.26	-0.1%	-0.1%	8.1%	11.3%	12.3%	25.1%
..Ex-Precious Metals	168.42	1.2%	1.2%	6.9%	16.4%	37.6%	36.6%
CRB Index	565.32	-	-	-	-	4.7%	1.8%
Bloomberg Agriculture	65.28	0.1%	0.1%	12.4%	18.8%	22.2%	18.4%
Bloomberg Energy	41.83	2.6%	2.6%	5.2%	21.2%	65.1%	49.4%
WTI Crude Oil Futures	85.76	2.8%	2.8%	1.3%	23.4%	49.4%	30.8%
Brent Crude Oil Futures	90.49	1.3%	1.3%	0.4%	24.1%	48.7%	30.9%
Gasoline Futures	3.44	-1.5%	-1.5%	6.7%	14.0%	101.5%	68.2%
Natural Gas Futures	2.94	1.6%	1.6%	6.8%	-10.4%	-20.4%	-2.5%
Bloomberg Ind. Metals	180.20	0.2%	0.2%	2.0%	5.4%	10.3%	25.8%
Copper Futures	6.59	0.5%	0.5%	2.0%	6.5%	16.0%	44.3%
Bloomberg Prec. Metals	457.63	-1.1%	-1.1%	10.1%	9.6%	-0.6%	30.6%
Gold Futures	4,446.80	-1.1%	-1.1%	9.8%	10.1%	2.4%	24.8%
Silver Futures	66.22	-1.2%	-1.2%	14.6%	11.3%	-6.2%	61.2%
Palladium Futures	1,362.90	-4.6%	-4.6%	6.4%	12.6%	-17.5%	19.9%
Platinum Futures	1,794.20	-3.2%	-3.2%	8.2%	15.7%	-11.8%	27.0%
Bloomberg Softs	72.16	1.2%	1.2%	14.1%	20.2%	13.7%	8.7%

US Size-Style	Aug-31	1D	WTD	MTD	QTD	YTD	1Y
Russell 3000	4,368.60	-0.3%	-0.3%	2.7%	2.3%	13.4%	20.9%
Russell 3000 Growth	3,865.37	-0.1%	-0.1%	3.6%	-1.3%	4.5%	11.9%
Russell 3000 Value	3,295.68	-0.6%	-0.6%	2.0%	5.7%	23.1%	30.4%
S&P 500	7,686.14	-0.3%	-0.3%	2.7%	2.7%	13.1%	21.2%
S&P 500 Equal Weight	8,872.32	-0.6%	-0.6%	2.1%	3.1%	15.6%	19.3%
S&P 500 Growth	5,628.32	-0.3%	-0.3%	3.3%	1.5%	13.6%	23.3%
S&P 500 Value	2,326.37	-0.4%	-0.4%	2.1%	4.1%	12.5%	18.7%
Russell 1000	4,187.23	-0.3%	-0.3%	2.8%	2.4%	13.0%	20.5%
Russell 1000 Growth	4,940.33	-0.0%	-0.0%	3.7%	-1.2%	4.1%	11.7%
Russell 1000 Value	2,520.90	-0.6%	-0.6%	2.0%	5.9%	23.1%	30.3%
Russell Midcap	4,444.51	-0.5%	-0.5%	1.9%	1.2%	16.7%	18.7%
Russell Midcap Growth	2,264.50	-0.3%	-0.3%	2.6%	-4.1%	2.9%	-0.5%
Russell Midcap Value	3,889.07	-0.6%	-0.6%	1.6%	3.1%	21.3%	25.3%
Russell 2000	2,956.45	-0.5%	-0.5%	1.0%	-2.0%	20.2%	27.4%
Russell 2000 Growth	1,925.07	-0.5%	-0.5%	1.6%	-4.3%	17.0%	24.1%
Russell 2000 Value	3,312.12	-0.6%	-0.6%	0.4%	0.4%	23.7%	30.9%

S&P 500 Sectors	Aug-31	1D	WTD	MTD	QTD	YTD	1Y
Communication Services	450.98	-1.6%	-1.6%	-1.2%	-0.7%	0.1%	13.9%
Consumer Discretionary	1,920.67	-0.7%	-0.7%	-0.0%	0.8%	-0.0%	4.9%
Consumer Staples	933.49	-0.3%	-0.3%	-0.7%	1.4%	9.6%	7.8%
Energy	971.77	2.1%	2.1%	7.0%	20.5%	44.2%	45.4%
Financials	958.36	-0.7%	-0.7%	1.3%	7.6%	6.2%	9.2%
Health Care	1,984.28	-0.4%	-0.4%	4.9%	7.4%	11.1%	26.2%
Industrials	1,479.83	-1.1%	-1.1%	-2.6%	-5.5%	13.6%	17.9%
Information Technology	6,959.48	0.3%	0.3%	6.2%	2.6%	22.9%	35.0%
Materials	663.71	-0.8%	-0.8%	6.0%	4.2%	16.7%	16.2%
Real Estate	280.86	-0.8%	-0.8%	-1.9%	0.6%	12.2%	11.4%
Utilities	426.86	-1.2%	-1.2%	-4.8%	-6.9%	0.3%	3.4%

MSCI Indices (USD)	Aug-31	1D	WTD	MTD	QTD	YTD	1Y
All Country World	1,149.22	-0.3%	-0.3%	2.7%	2.8%	14.6%	23.7%
... ex-US	484.84	-0.3%	-0.3%	2.6%	3.0%	17.4%	28.8%
World	4,967.92	-0.4%	-0.4%	2.6%	3.2%	13.4%	21.9%
... ex-US	3,314.83	-0.4%	-0.4%	2.2%	4.4%	14.4%	24.5%
USA	7,329.69	-0.3%	-0.3%	2.8%	2.7%	13.0%	20.8%
EAFE	3,233.25	-0.4%	-0.4%	2.0%	4.0%	14.3%	23.9%
Pacific	4,347.66	0.2%	0.2%	3.1%	5.9%	19.9%	25.7%
Japan	15.97	0.6%	0.6%	3.4%	4.5%	21.2%	29.5%
Pacific ex-Japan	1,780.79	-0.1%	-0.1%	2.6%	9.4%	17.3%	18.5%
All Country Asia ex-Japan	1,138.52	-0.1%	-0.1%	3.3%	0.0%	26.3%	39.9%
Europe	252.72	-0.4%	-0.4%	1.3%	3.3%	11.8%	23.2%
..ex-UK	298.47	-0.6%	-0.6%	1.5%	2.5%	11.5%	22.9%
Emerging Markets	1,719.31	-0.2%	-0.2%	3.4%	0.3%	24.3%	38.9%
Brazil	1,847.16	1.5%	1.5%	-1.3%	5.0%	15.1%	31.5%
China	9.70	-0.1%	-0.1%	-0.3%	8.7%	-7.5%	-7.7%
India	31.01	0.3%	0.3%	-0.2%	1.4%	-8.3%	-4.7%
Mexico	8,228.08	0.1%	0.1%	-0.0%	1.9%	13.2%	29.6%
Frontier Markets	842.99	-0.8%	-0.8%	3.8%	4.3%	15.0%	24.1%

USD SOFR Rates	Aug-31	3M Ago	1Y Ago
One-Month	3.71%	3.62%	4.25%
Three-Month	3.80%	3.66%	4.16%
Six-Month	3.94%	3.71%	4.01%
One-Year	4.11%	3.83%	3.76%

US Bank Rates	Aug-31	3M Ago	1Y Ago
Federal Funds	3.62%	3.61%	4.31%
Discount Rate	3.75%	3.75%	4.50%
Prime Rate	6.75%	6.75%	7.50%

Volatility	Aug-31	1D Chg.	4W Ago
CBOE Volatility (VIX)	14.92	0.49	15.99
Treasury Bond Volatility	75.32	6.13	83.02
FX Volatility	6.24	0.00	6.24

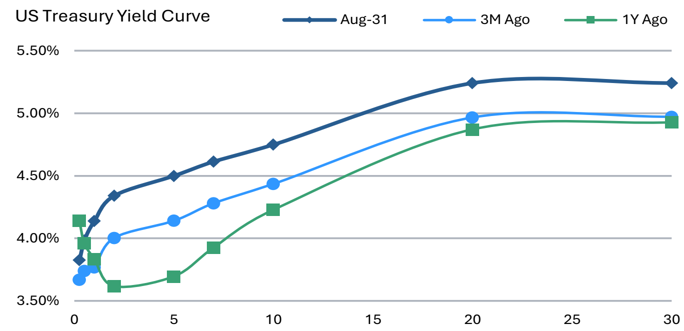
FX Rates	Aug-31	1D Chg.	1D %, FX
US Dollar Spot Rate (DXY)	99.43	-0.27	-0.3%
Euro (EUR/USD)	1.1618	0.00	0.3%
British Pound (GBP/USD)	1.3549	0.00	0.1%
Swiss Franc (USD/CHF)	0.8084	-0.00	0.1%
Japanese Yen (USD/JPY)	159.74	-0.35	0.2%
Australian Dollar (AUD/USD)	0.7167	0.00	0.0%
Canadian Dollar (USD/CAD)	1.3854	-0.01	0.4%
New Zealand Doll. (NZD/USD)	0.5917	0.00	0.0%
Hong Kong Doll. (USD/HKD)	7.8386	-0.00	0.0%
Singapore Dollar (USD/SGD)	1.2709	-0.00	0.3%
Chinese Renminbi (USD/CNY)	6.7197	-0.01	0.2%
Indian Rupee (USD/INR)	95.17	-0.21	0.2%
Mexican Peso (USD/MXN)	17.00	-0.04	0.2%
Brazilian Real (USD/BRL)	5.1853	-0.01	0.2%

Source: Morgan Stanley Wealth Management GIO, Bloomberg, FactSet. [1]Data for HFRI Fund of Funds as of Jul. 31, 2026. YTD starts Dec. 31, 2025, and 1Y starts Sep. 02, 2025.

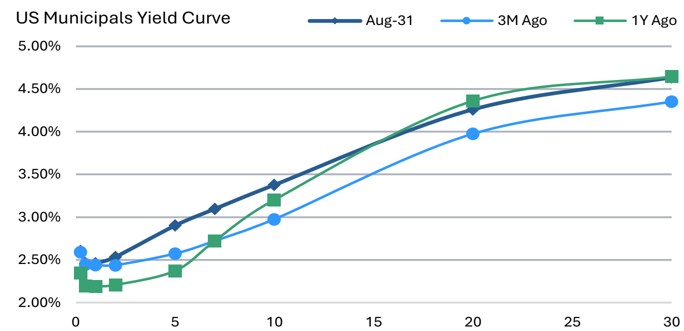
Capital Market Indices

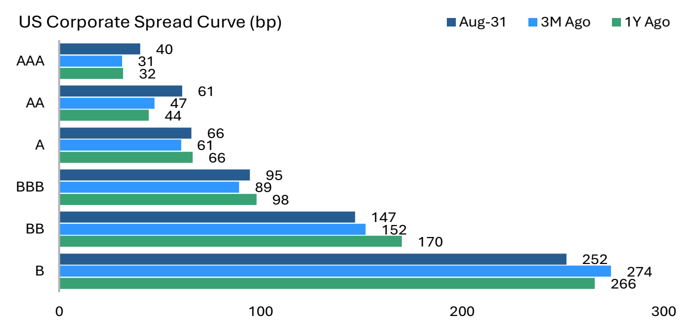
Tuesday, September 1, 2026

	Treasuries						AAA General Obligation (GO) Municipals						
Maturity	Aug-31	1D	Dec-31	3M Ago	6M Ago	1Y Ago	Aug-31	% UST	1D	Dec-31	3M Ago	6M Ago	1Y Ago
Three-Month	3.83	0.02	3.63	3.67	3.67	4.14	2.61	68%	0.03	2.64	2.59	2.31	2.34
Six-Month	3.99	0.01	3.60	3.74	3.62	3.96	2.46	62%	0.03	2.50	2.45	2.17	2.20
One-Year	4.14	0.01	3.47	3.77	3.54	3.83	2.46	59%	0.03	2.49	2.44	2.16	2.19
Two-Year	4.34	-0.00	3.47	4.00	3.51	3.62	2.54	58%	0.03	2.44	2.44	2.16	2.21
Five-Year	4.50	0.02	3.73	4.14	3.64	3.70	2.90	64%	0.04	2.39	2.57	2.24	2.37
Seven-Year	4.61	0.03	3.94	4.28	3.83	3.93	3.10	67%	0.05	2.50	2.72	2.39	2.72
10-Year	4.75	0.03	4.17	4.44	4.06	4.23	3.38	71%	0.05	2.73	2.98	2.65	3.20
20-Year	5.24	0.04	4.79	4.97	4.65	4.87	4.26	81%	0.06	3.94	3.98	3.92	4.36
30-Year	5.24	0.04	4.84	4.97	4.70	4.93	4.64	88%	0.04	4.19	4.35	4.23	4.64



	Returns						Option-Adjusted Spreads (bp)					
Bloomberg Indices (USD)	1D	WTD	MTD	QTD	YTD	1Y	Aug-31	1D	Dec-31	3M Ago	6M Ago	1Y Ago
Multiverse	-0.1%	-0.1%	0.5%	-0.0%	-0.1%	1.4%	—	—	—	—	—	—
Global Aggregate	-0.1%	-0.1%	0.5%	-0.1%	-0.3%	1.1%	—	—	—	—	—	—
US Aggregate	-0.1%	-0.1%	0.4%	-0.9%	-0.3%	2.1%	28	1	27	25	28	30
US Treasury	-0.1%	-0.1%	0.3%	-0.8%	-0.5%	1.4%	—	—	—	—	—	—
..Short	0.0%	0.0%	0.3%	0.6%	2.4%	3.8%	—	—	—	—	—	—
..One- to Five-Year	0.0%	0.0%	0.2%	0.1%	0.5%	2.0%	—	—	—	—	—	—
..Five- to 10-Year	-0.1%	-0.1%	0.1%	-1.0%	-1.1%	0.7%	—	—	—	—	—	—
..10- to 20-Year	-0.3%	-0.3%	0.9%	-2.6%	-2.3%	1.2%	—	—	—	—	—	—
..20+-Year	-0.4%	-0.4%	0.8%	-3.7%	-3.2%	0.5%	—	—	—	—	—	—
US Corporate	-0.1%	-0.1%	0.4%	-1.2%	-0.4%	2.2%	78	0	78	72	83	79
..One- to Five-Year	0.0%	0.0%	0.3%	0.2%	1.1%	2.9%	55	0	60	54	62	59
..Intermediate-Term	-0.0%	-0.0%	0.3%	-0.4%	0.4%	2.6%	69	0	70	65	73	72
..Long-Term	-0.3%	-0.3%	0.8%	-3.1%	-2.1%	1.5%	98	-0	94	87	102	94
..AAA	-0.2%	-0.2%	0.6%	-2.4%	-2.4%	0.2%	40	0	34	31	41	32
..AA	-0.1%	-0.1%	0.4%	-2.0%	-1.7%	0.6%	61	-0	48	47	53	44
..A	-0.1%	-0.1%	0.4%	-1.2%	-0.5%	2.2%	66	0	64	61	69	66
..BBB	-0.1%	-0.1%	0.5%	-1.1%	0.0%	2.7%	95	0	97	89	103	98
US Securitized	-0.1%	-0.1%	0.5%	-0.8%	0.1%	3.2%	32	2	25	25	25	37
... Mtge.-Backed Securities (MBS)	-0.2%	-0.2%	0.5%	-0.9%	0.1%	3.2%	29	2	22	22	22	34
..Commercial MBS	-0.0%	-0.0%	0.2%	-0.2%	0.7%	2.6%	72	1	81	71	76	84
... Asset-Backed Securities (ABS)	0.0%	0.0%	0.3%	0.2%	1.2%	3.1%	44	0	52	47	48	51
US Municipal	-0.3%	-0.3%	-0.2%	-2.1%	0.2%	4.1%	—	—	—	—	—	—
..One- to Five-Year	-0.1%	-0.1%	0.5%	-0.1%	1.1%	1.9%	—	—	—	—	—	—
..One- to 10-Year	-0.2%	-0.2%	0.4%	-0.8%	0.3%	2.3%	—	—	—	—	—	—
..10+-Year	-0.4%	-0.4%	-0.8%	-3.2%	-0.1%	5.7%	—	—	—	—	—	—
US TIPS	—	—	0.0%	-0.6%	0.5%	1.3%	—	—	—	—	—	—
US High Yield Corporate	-0.0%	-0.0%	1.0%	0.7%	2.7%	5.1%	261	1	266	257	295	272
..BB	-0.0%	-0.0%	0.9%	0.6%	2.6%	5.2%	147	1	165	152	176	170
..B	-0.0%	-0.0%	1.1%	1.1%	3.3%	6.1%	252	2	268	274	328	266
..CCC	0.0%	0.0%	0.6%	0.1%	1.8%	3.2%	858	8	615	706	637	617
US High Yield Municipal	-0.2%	-0.2%	0.2%	-1.3%	2.7%	6.8%	—	—	—	—	—	—
Global ex-USD Aggregate	-0.1%	-0.1%	0.5%	0.6%	-0.3%	0.2%	—	—	—	—	—	—
EM Hard-Currency	-0.1%	-0.1%	0.8%	-0.4%	1.3%	4.9%	—	—	—	—	—	—
EM Local-Currency	-0.1%	-0.1%	1.0%	2.1%	3.8%	6.0%	—	—	—	—	—	—
Morningstar LSTA Leveraged Loan	0.1%	0.1%	0.9%	1.7%	3.1%	4.8%	—	—	—	—	—	—





Source: Morgan Stanley Wealth Management GIO, Bloomberg, FactSet. [1]Data for HFRI Fund of Funds as of Jul. 31, 2026. YTD starts Dec. 31, 2025, and 1Y starts Sep. 02, 2025.

Disclosures

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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.