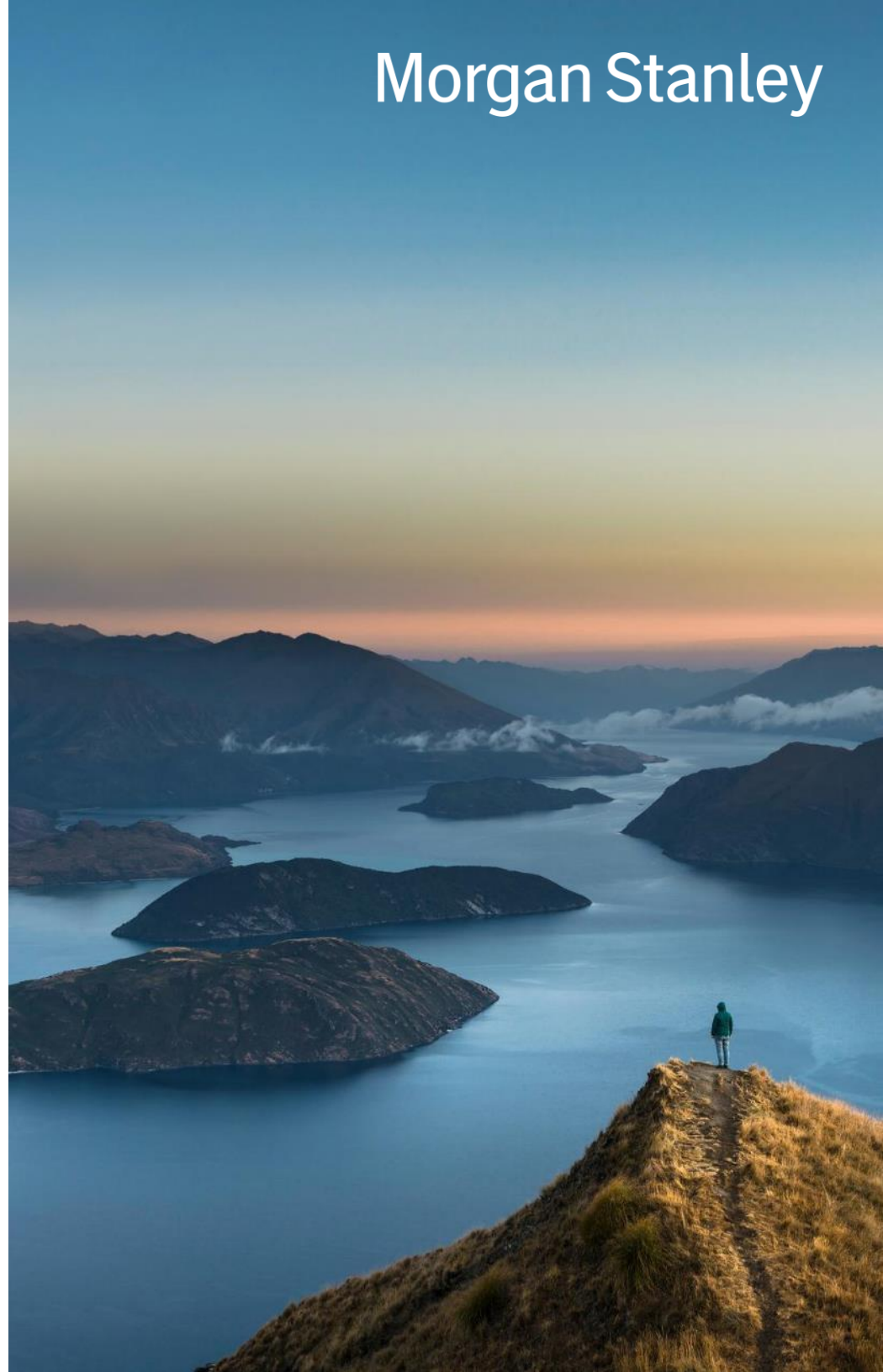


# Market Essentials

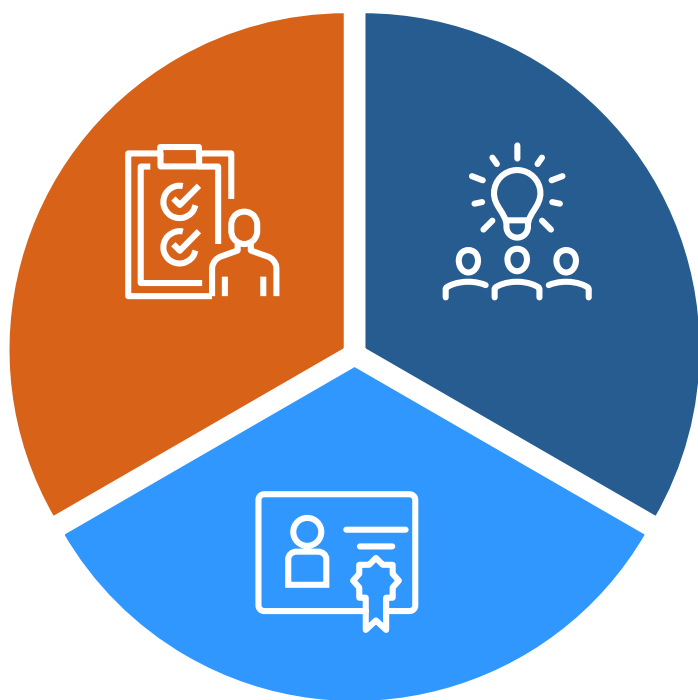
Published October 7, 2025 and authored by Dan Hunt and Eve Pickhardt.  
Sophie Draluck contributed to this edition of Market Essentials.

Morgan Stanley Wealth Management is the trade name of Morgan Stanley Smith Barney LLC, a registered broker-dealer in the United States. This material has been prepared for informational purposes only and is not an offer to buy or sell or a solicitation of any offer to buy or sell any security or other financial instrument or to participate in any trading strategy. Past performance is not necessarily a guide to future performance. Please refer to important information, disclosures, and qualifications at the end of this material.



# What You Need to Know About the Market This Quarter

We highlight the most significant market developments and put them in context for long-term investors. We also discuss the Federal Reserve's mandate, the surging demand for gold from foreign central banks, and the impact of private investments in Artificial Intelligence technologies.



## STOCK INSIGHTS

- 2025 US equity gains have been driven primarily by rising earnings expectations.
- Non-US equities have outperformed the US year-to-date.
- The market recovered faster than from a typical correction.

## BOND INSIGHTS

- Bond returns have been strong year-to-date amid a more constructive interest-rate backdrop.
- Not all bonds are alike: balance interest-rate and credit risk; consider municipals for tax-advantaged income.

## THINGS TO CONSIDER

- AI-led capital spending is a meaningful tailwind for growth.
- Demand from central banks for gold has driven prices higher.
- Active managers have added more value in difficult markets.

Source: Morgan Stanley Wealth Management GIO.

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.

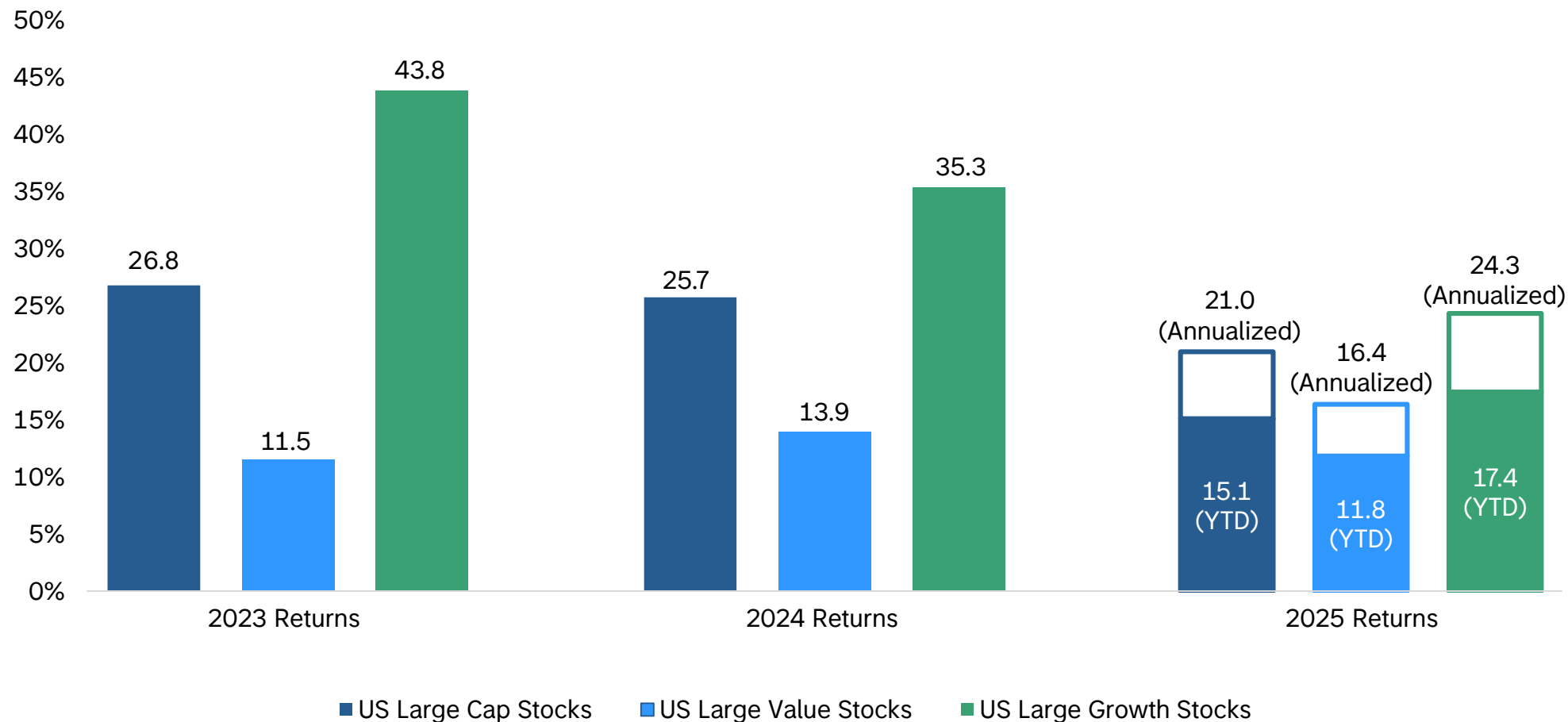
# The Bull Market in US Stocks Has Continued

Stock Insights

At their pace thus far in 2025, US equity markets would continue their recent trend of yearly returns well-above their historical average.

## PERFORMANCE OF SELECT STOCK MARKET INDEXES

AS OF SEPTEMBER 30, 2025



Source: Morgan Stanley Wealth Management GIO, Bloomberg. Note: Large Cap stocks represented by the S&P 500 Index. Large Value and Large Growth stocks represented by the Russell 1000 Value Index and the Russell 1000 Growth Index, respectively. Total returns shown. Annualized return is calculated by projecting the YTD (year-to-date) performance over a full year, effectively assuming the same rate of return continues.

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.

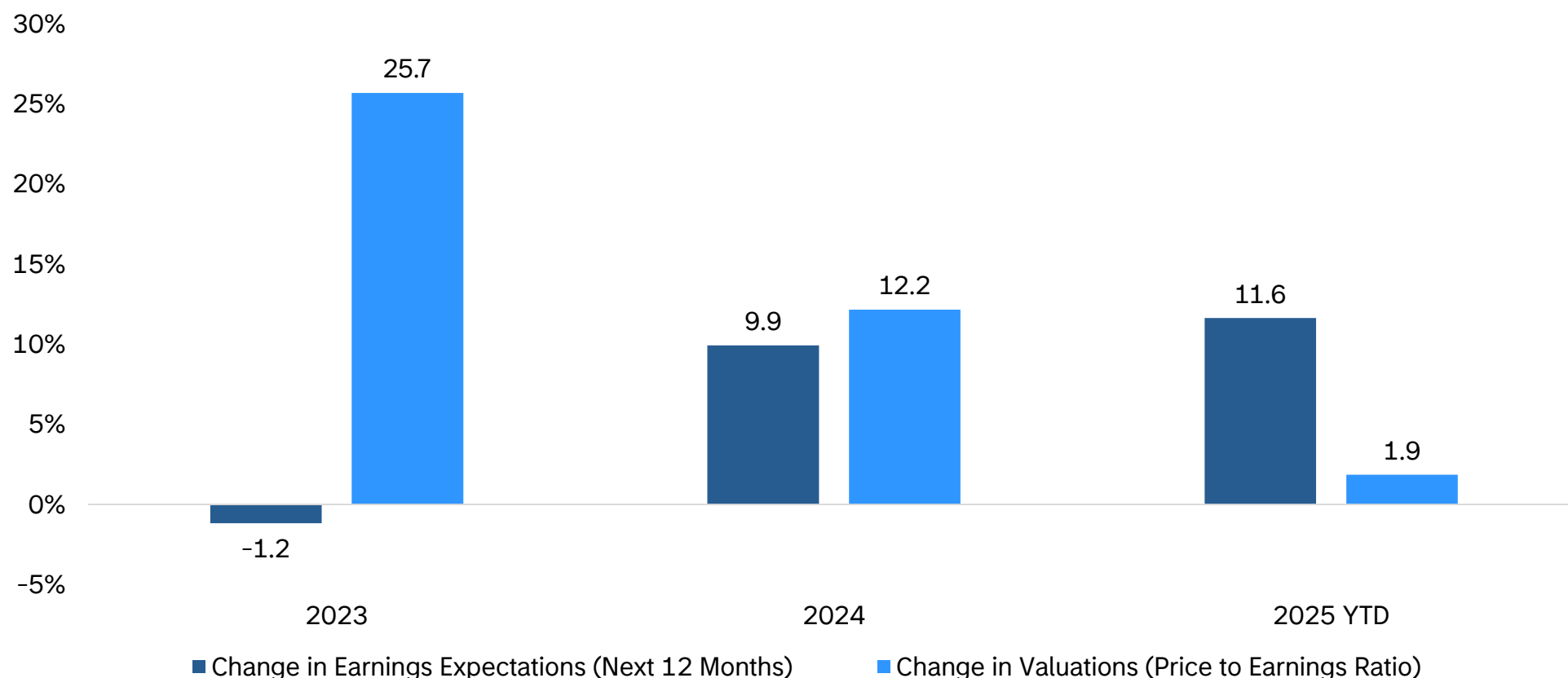
# US Stock Returns Have Been Driven by Rising Earnings Expectations

Stock Insights

While headline returns are comparable, their drivers in 2025 have been far different than in recent years.

## S&P 500: CHANGE IN ESTIMATED EARNINGS AND VALUATIONS (%)

AS OF SEPTEMBER 30, 2025



Source: Morgan Stanley Wealth Management GIO, Bloomberg. Note: Earnings estimates and valuations based on consensus estimates sourced by Bloomberg.

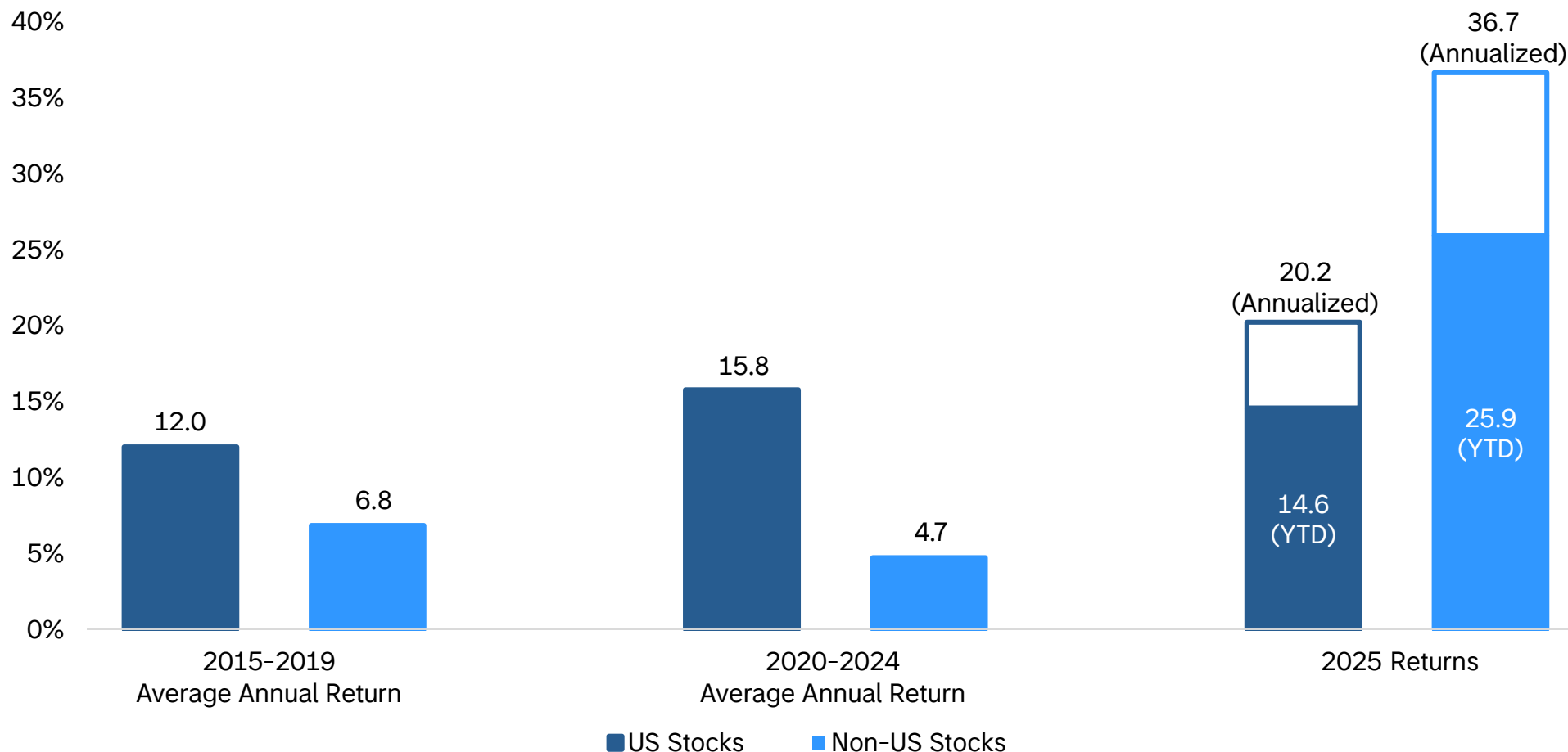
Past performance is no guarantee of future results. Estimates of future performance are based on assumptions that may not be realized. This material is not a solicitation of any offer to buy or sell any security or other financial instrument or to participate in any trading strategy. Please refer to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

# International Stocks Have Outperformed So Far in 2025; A Change From Recent History

Stock Insights

## PERFORMANCE OF SELECT STOCK MARKET INDEXES

AS OF SEPTEMBER 30, 2025



Source: Morgan Stanley Wealth Management GIO, Bloomberg. Note: US stocks represented by the Russell 3000 Index. Non-US stocks represented by the MSCI ACWI ex USA IMI Index. Total returns shown. Annualized return is calculated by projecting the YTD (year-to-date) performance over a full year, effectively assuming the same rate of return continues. 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.

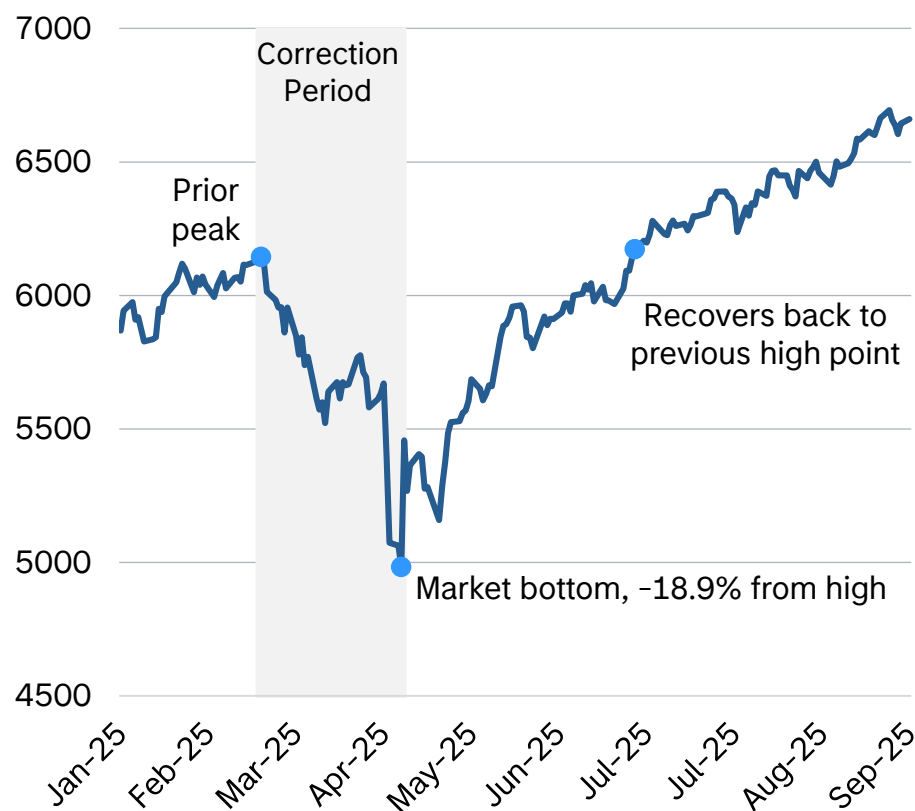
# Markets Quickly Recovered from the Correction Earlier This Year

Stock Insights

The market recovered to new all-time highs more quickly than the average historical correction did.

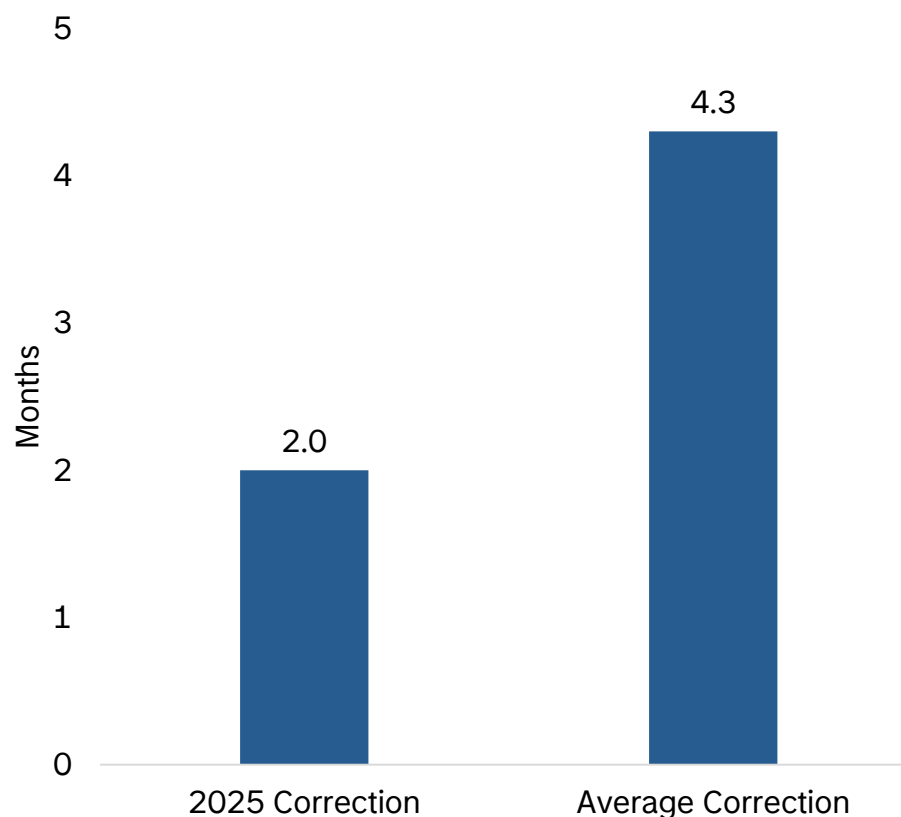
## S&P 500 PRICE CHART

AS OF SEPTEMBER 30, 2025



## MONTHS UNTIL RECOVERY AFTER 10+% CORRECTION

1975-2024; BASED ON S&amp;P 500



Source: Morgan Stanley Wealth Management GIO, Bloomberg. Note: Average time to recovery after correction includes all S&P 500 declines greater than 10% but less than 20%, which is considered a bear market.

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.

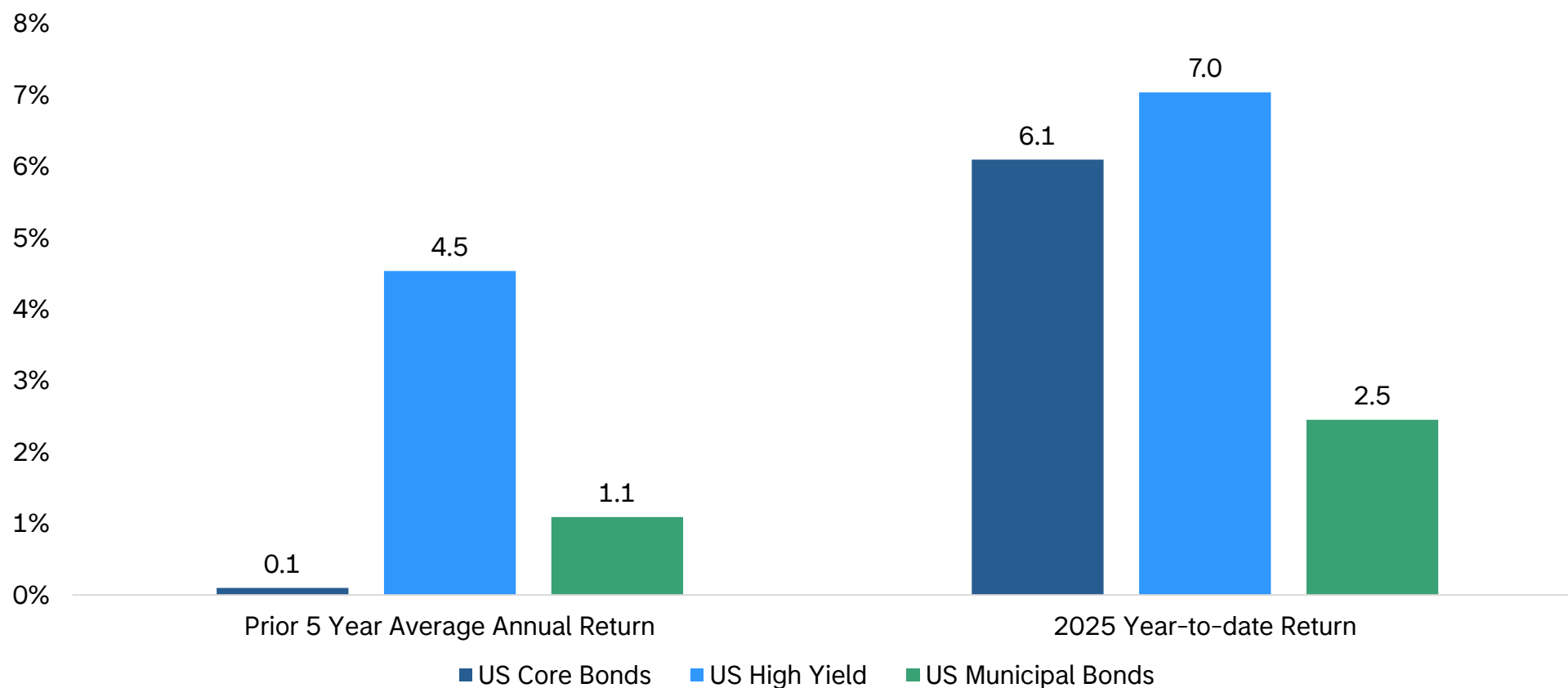
# Bond Markets Have Delivered Strong Returns This Year

Bond Insights

While bond investments were lackluster from 2019 through 2024, a more constructive interest rate environment has supported returns this year.

## BOND INDEX TOTAL RETURNS

AS OF SEPTEMBER 30, 2025



Source: Morgan Stanley Wealth Management GIO, Bloomberg. Note: US Core Bonds represented by the Bloomberg US Aggregate Index. US High Yield represented by the Bloomberg US Corporate High Yield Index. US Municipal Bonds represented by the Bloomberg Municipal Bond Index. Total returns shown.

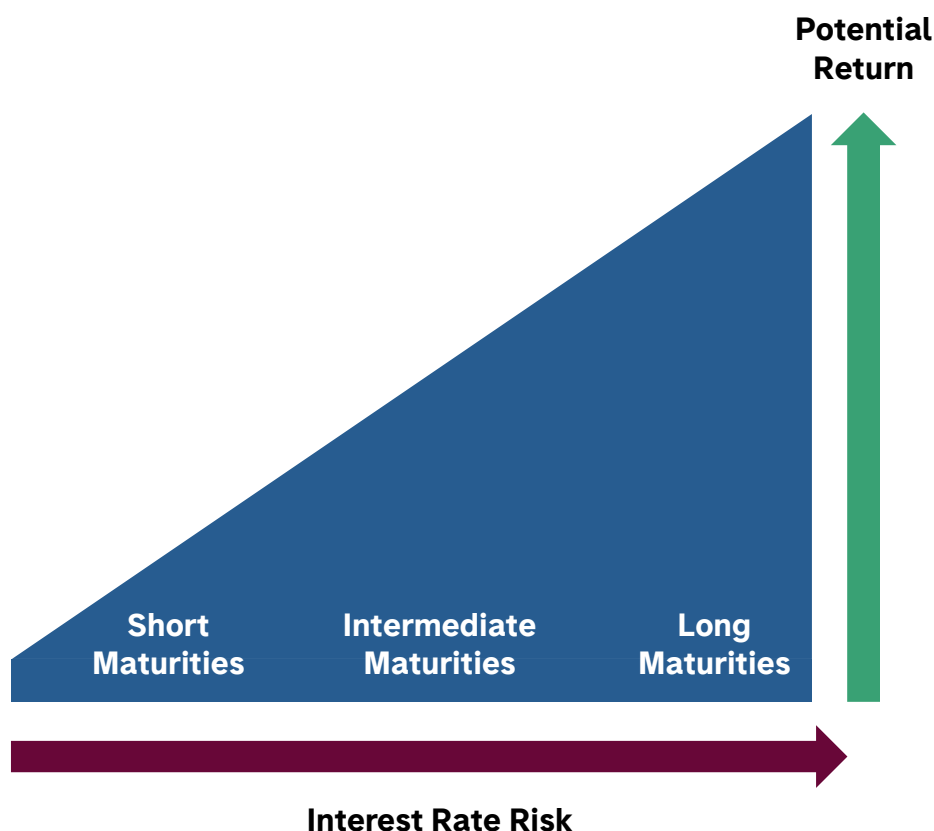
Past performance is no guarantee of future results. Estimates of future performance are based on assumptions that may not be realized. This material is not a solicitation of any offer to buy or sell any security or other financial instrument or to participate in any trading strategy. Please refer to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

# Not All Bonds Are Created Equal: Consider Interest Rate and Credit Risks When Investing

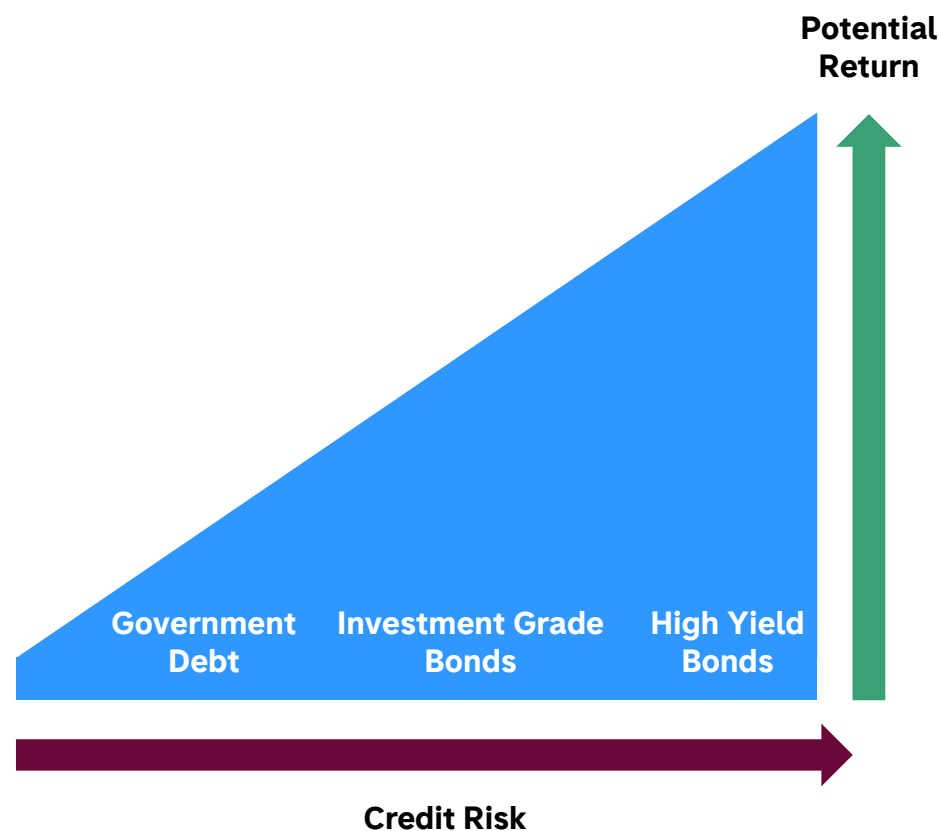
Bond Insights

The two primary sources of bond risk, interest rate and credit risk, vary greatly depending on bond type.

## SENSITIVITY TO INTEREST RATE CHANGES



## EXPOSURE TO POSSIBLE DEFAULT OR RESTRUCTURING



Source: Morgan Stanley Wealth Management GIO.

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.



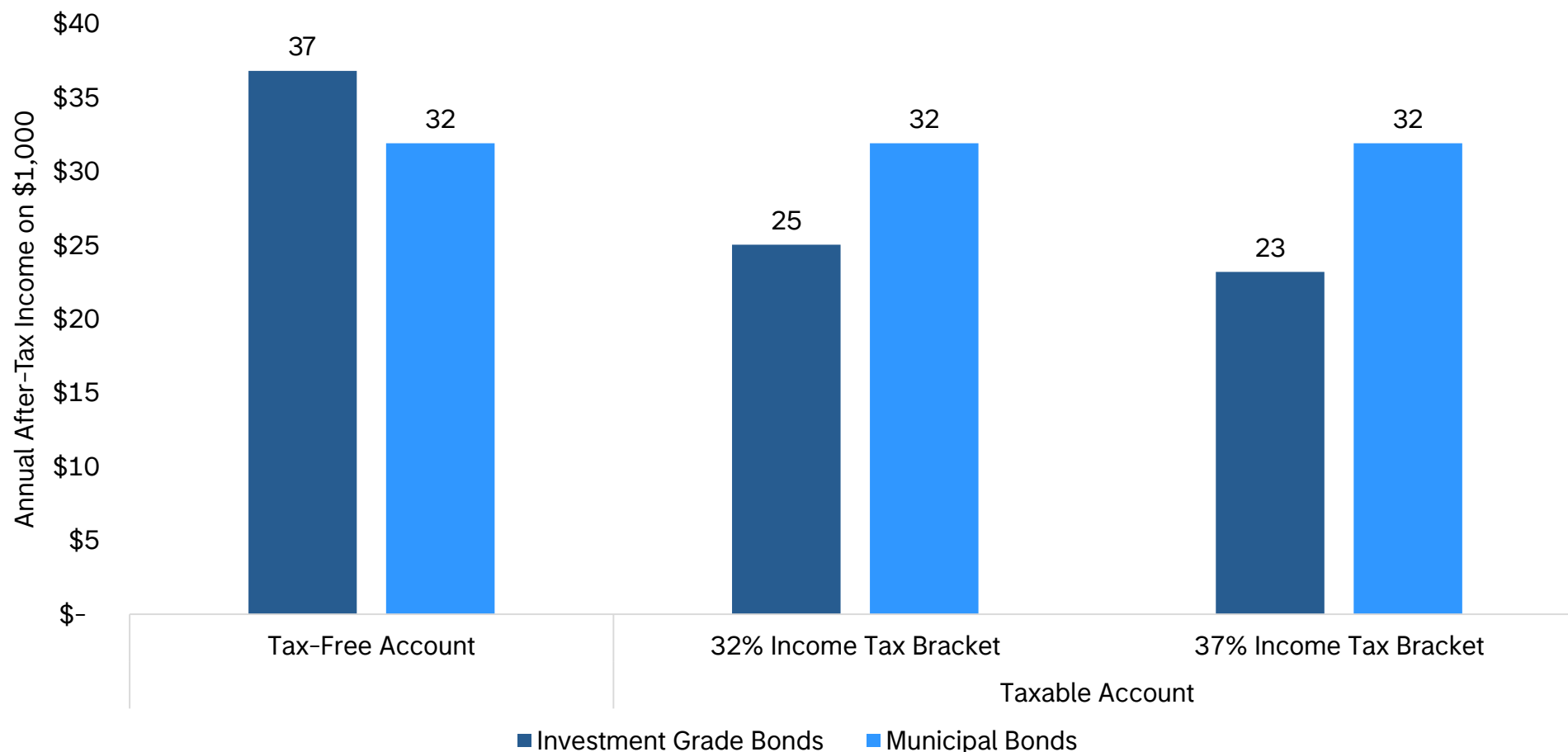
# Municipal Bonds Can Offer Tax Advantages

Bond Insights

Investors who have taxable savings and face high income tax rates may benefit from municipal bonds.

## ANNUAL AFTER-TAX INCOME ON \$1,000

FOR ILLUSTRATIVE USE ONLY



Source: Morgan Stanley Wealth Management GIO, Bloomberg. Note: For illustrative use only. Yield on Investment Grade bonds and Municipal bonds represented by long-term average (since 2000) on the Bloomberg US Aggregate Index and the Bloomberg Municipal Bonds Index. After-tax only considers federal income taxes.

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.

# Diversification Is a Steadier Ride

Things to Consider

The characteristics of each asset class, or type of investment, make them more or less appropriate for different economic environments.

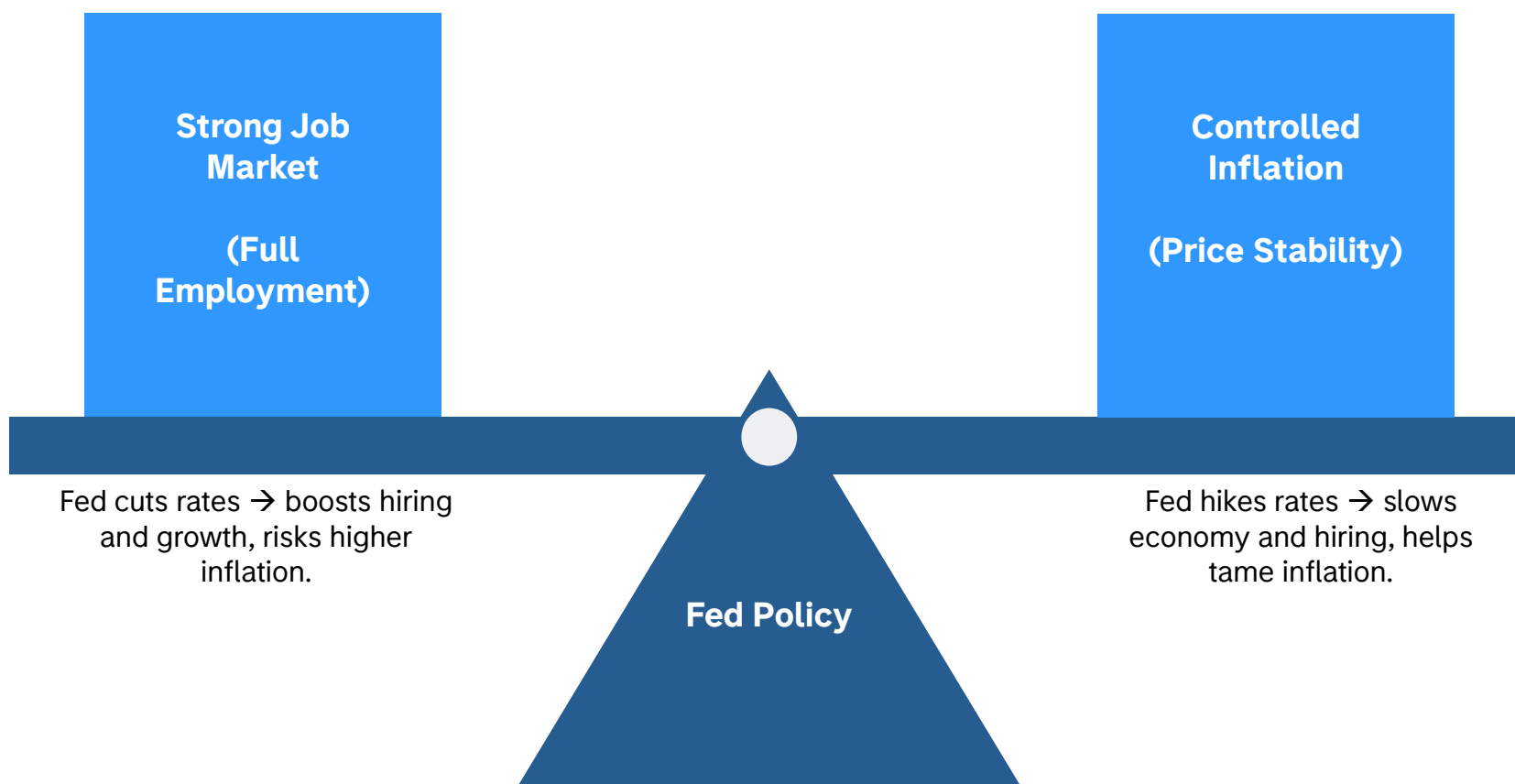
AS OF SEPTEMBER 30, 2025

2016	2017	2018	2019	2020	2021	2022	2023	2024	2025 YTD	10 Year Annualized Average
Small Value Stocks 31.7%	Emerging Market Stocks 37.8%	Bonds 0.0%	Large Growth Stocks 36.4%	Large Growth Stocks 38.5%	Small Value Stocks 28.3%	Large Value Stocks -7.5%	Large Growth Stocks 42.7%	Large Growth Stocks 33.4%	Emerging Market Stocks 28.2%	Large Growth Stocks 18.8%
Large Value Stocks 17.3%	Large Growth Stocks 30.2%	Large Growth Stocks -1.5%	Small Growth Stocks 28.5%	Small Growth Stocks 34.6%	Large Growth Stocks 27.6%	High Yield Bonds -12.7%	Foreign Stocks 18.9%	Small Growth Stocks 15.2%	Foreign Stocks 25.8%	Large Value Stocks 10.7%
High Yield Bonds 14.3%	Foreign Stocks 25.7%	High Yield Bonds -4.1%	Large Value Stocks 26.5%	Emerging Market Stocks 18.8%	Large Value Stocks 25.2%	Bonds -13.0%	Small Growth Stocks 18.7%	Large Value Stocks 14.4%	Large Growth Stocks 17.2%	Diversified Portfolio 10.1%
Diversified Portfolio 12.2%	Small Growth Stocks 22.2%	Diversified Portfolio -7.9%	Foreign Stocks 22.8%	Diversified Portfolio 15.3%	Foreign Stocks 11.9%	Foreign Stocks -13.9%	Diversified Portfolio 17.0%	Diversified Portfolio 11.7%	Diversified Portfolio 14.9%	Small Growth Stocks 9.9%
Emerging Market Stocks 11.8%	Diversified Portfolio 18.9%	Large Value Stocks -8.3%	Small Value Stocks 22.4%	Foreign Stocks 8.4%	Diversified Portfolio 11.6%	Small Value Stocks -14.5%	Small Value Stocks 14.6%	High Yield Bonds 9.2%	Small Growth Stocks 11.7%	Small Value Stocks 9.2%
Small Growth Stocks 11.3%	Large Value Stocks 13.7%	Small Growth Stocks -9.3%	Diversified Portfolio 22.1%	Bonds 7.5%	Small Growth Stocks 2.8%	Diversified Portfolio -17.1%	High Yield Bonds 14.0%	Small Value Stocks 8.1%	Large Value Stocks 11.7%	Foreign Stocks 8.8%
Large Growth Stocks 7.1%	High Yield Bonds 10.4%	Small Value Stocks -12.9%	Emerging Market Stocks 18.8%	High Yield Bonds 7.0%	High Yield Bonds 1.0%	Emerging Market Stocks -19.8%	Large Value Stocks 11.5%	Emerging Market Stocks 8.0%	High Yield Bonds 9.6%	Emerging Market Stocks 8.4%
Bonds 2.6%	Small Value Stocks 7.8%	Foreign Stocks -13.3%	High Yield Bonds 12.6%	Small Value Stocks 4.6%	Bonds -1.5%	Small Growth Stocks -26.4%	Emerging Market Stocks 10.2%	Foreign Stocks 4.4%	Small Value Stocks 9.0%	High Yield Bonds 5.7%
Foreign Stocks 1.6%	Bonds 3.5%	Emerging Market Stocks -14.3%	Bonds 8.7%	Large Value Stocks 2.8%	Emerging Market Stocks -2.3%	Large Growth Stocks -29.1%	Bonds 5.5%	Bonds 1.3%	Bonds 6.1%	Bonds 1.8%

Source: Morgan Stanley Wealth Management GIO, Bloomberg. Note: Large Growth Stocks represented by the Russell 1000 Growth Total Return Index. Large Value Stocks represented by the Russell 1000 Value Total Return Index. Small Growth Stocks represented by the Russell 2000 Growth Total Return Index. Small Value stocks represented by the Russell 2000 Value Total Return Index. Bonds represented by the Bloomberg US Aggregate Total Return. High Yield Bonds represented by the Bloomberg Global High Yield Index total return. Emerging Market stocks represented by the MSCI Emerging Markets index total return. Foreign Stocks represented by the MSCI EAFE index total return. Diversified portfolio represented by equally-weighted portfolio of asset classes shown.

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.

# A Balancing Act: Fed Policy Targets Both Employment and Inflation Goals

**Things to Consider****SIMPLIFIED ILLUSTRATION OF TRADEOFFS IN FED POLICY**

Source: Morgan Stanley Wealth Management GIO. Note: For illustrative use only.

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.

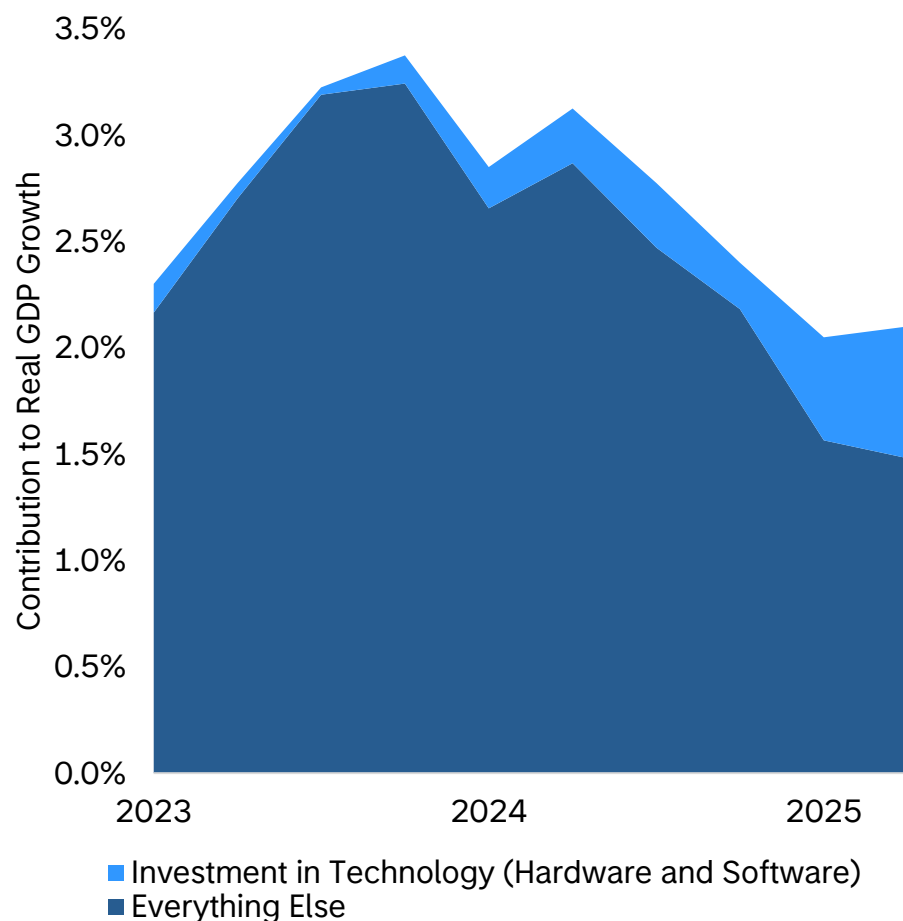
# The AI Boom Is Driving Economic Growth

Things to Consider

The impact of technology investment on economic growth is more than making up for a slowdown in other business investment.

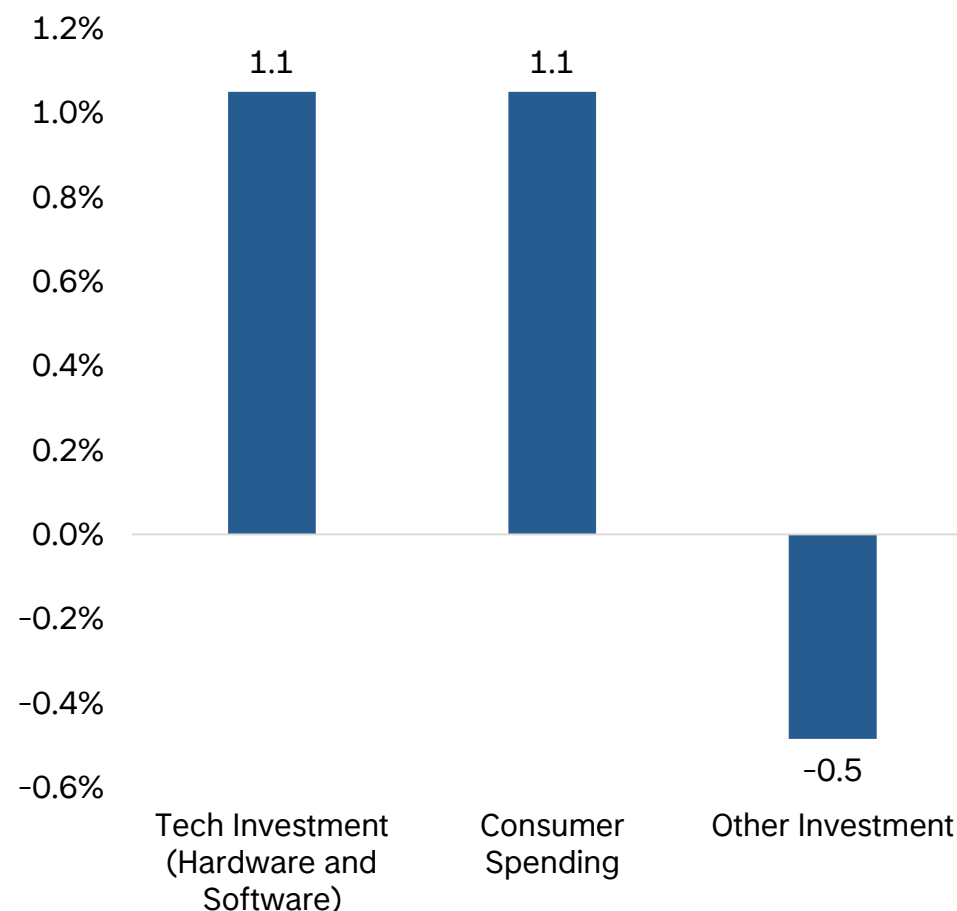
## ECONOMIC GROWTH DRIVERS: TECH INVESTMENT VS OTHER

AS OF JUNE 30, 2025



## CONTRIBUTION TO REAL GDP GROWTH

AVERAGE OF 1Q AND 2Q, SEASONALLY ADJUSTED AND ANNUALIZED



Source: Morgan Stanley Wealth Management GIO, Haver Analytics. Note: Four quarter moving average of contribution to real GDP growth shown (left chart); two quarter average shown (right chart). Technology investment represented by information processing equipment and software. Government and net export contribution to growth not shown (together these net to 0% contribution).

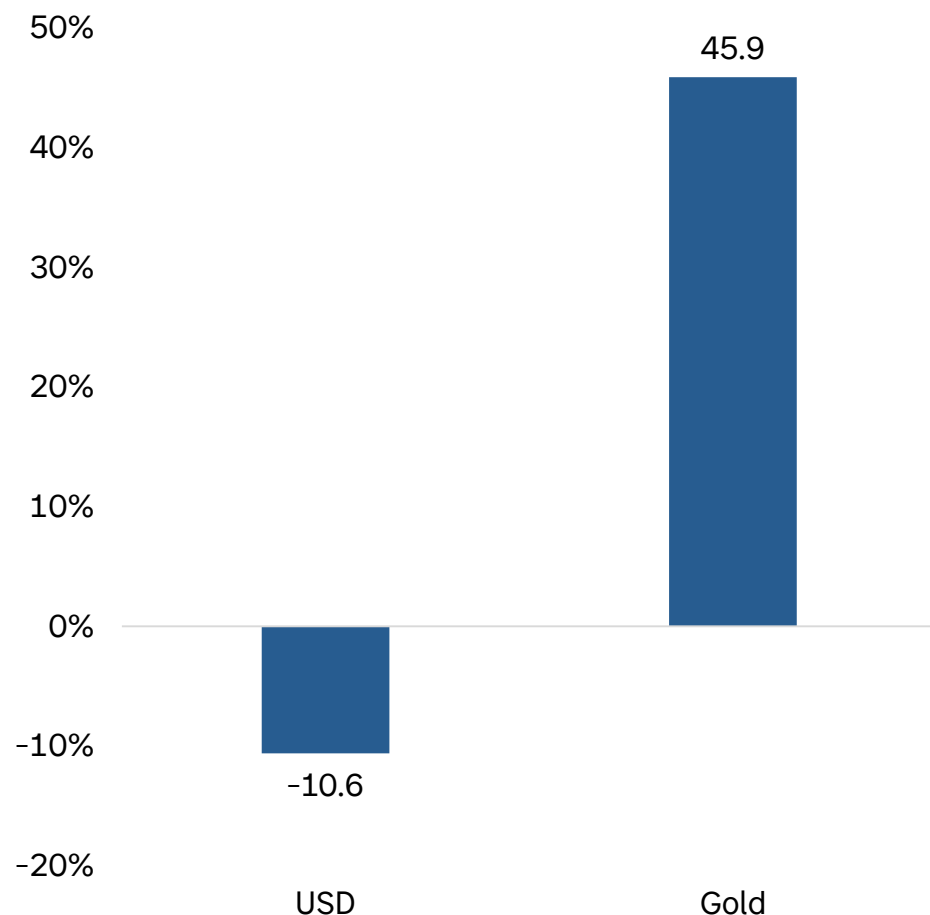
Past performance is no guarantee of future results. Estimates of future performance are based on assumptions that may not be realized. This material is not a solicitation of any offer to buy or sell any security or other financial instrument or to participate in any trading strategy. Please refer to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

# Central Banks Have Increased Demand for Gold at the Expense of the US Dollar

Things to Consider

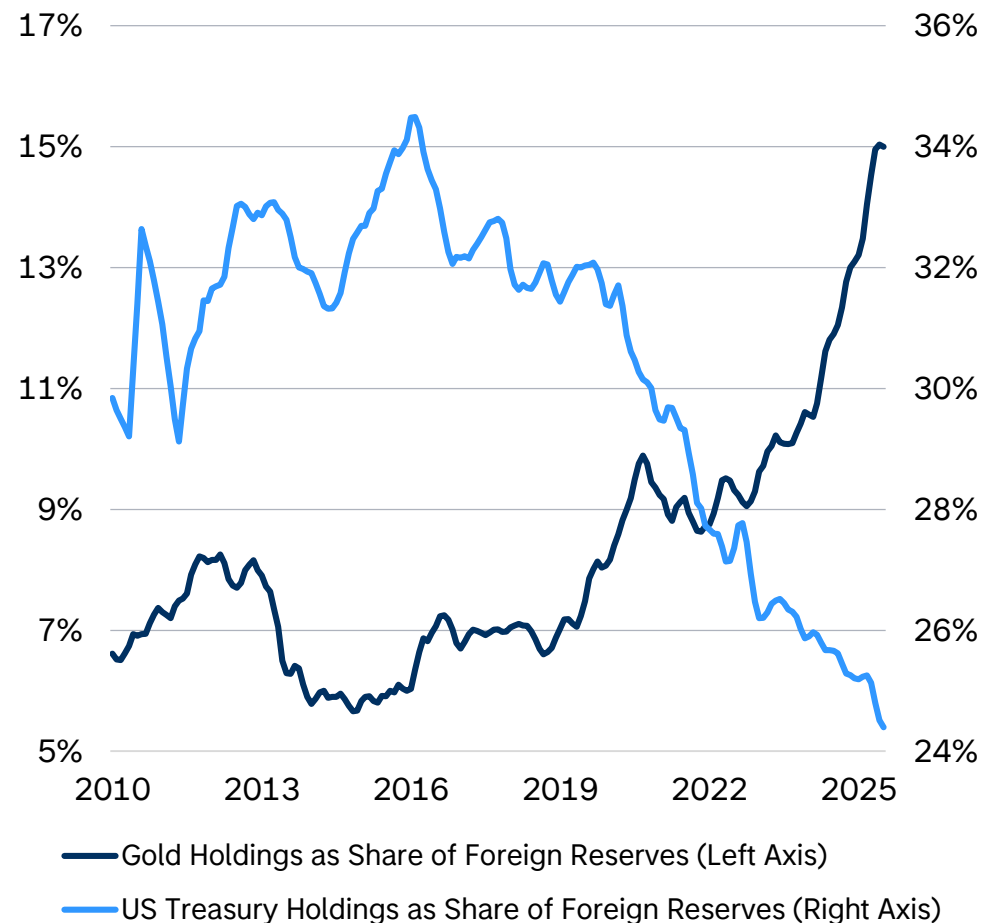
## CHANGE IN US DOLLAR INDEX AND GOLD PRICE

AS OF SEPTEMBER 30, 2025



## CENTRAL BANK HOLDINGS OF TREASURIES VS. GOLD

AS OF JULY 31, 2025; SHARE OF TOTAL FOREIGN OFFICIAL RESERVES



Source: Morgan Stanley Wealth Management GIO, Bloomberg, Haver Analytics. Note: USD (US dollars) represented by the US Dollar Index (DXY). Share of foreign official holding smoothed using three-month moving average.

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.

# Active Management Has Been More Helpful During Less Favorable Market Environments

**Things to Consider**

## PASSIVELY MANAGED FUNDS

## ACTIVELY MANAGED FUNDS

### PROS

- Typically offer lower fees
- Can be more efficient in taxable account

- Can help manage risks, including index concentration risk
- Potential to outperform index

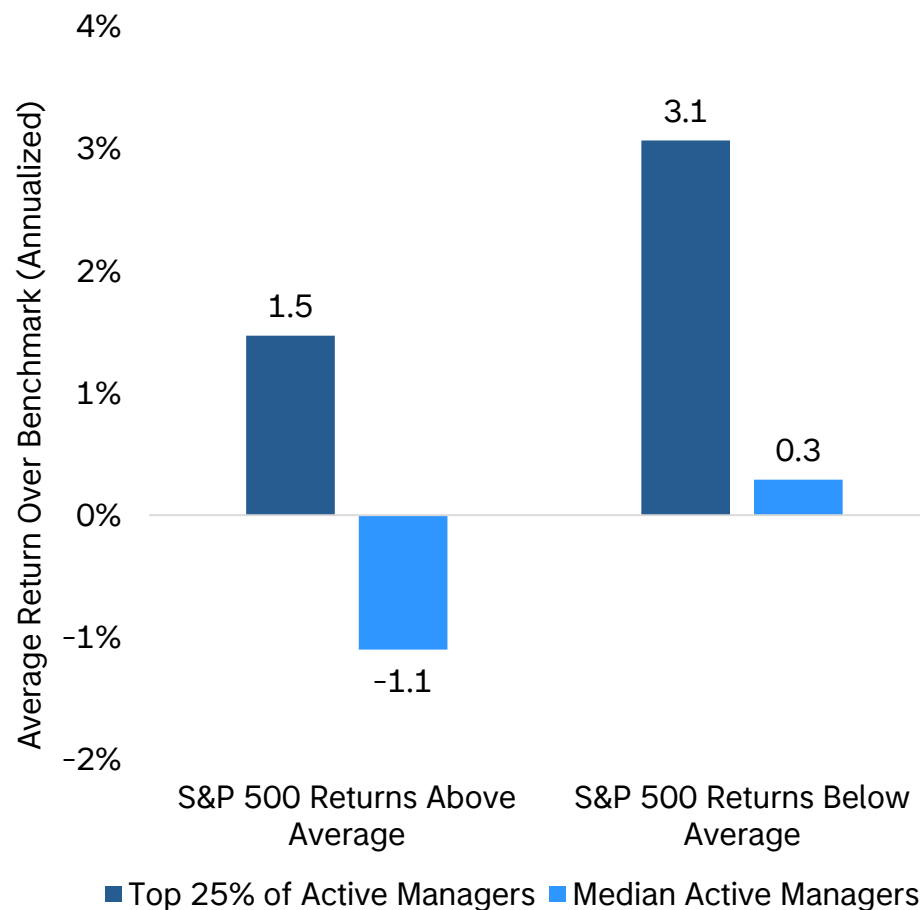
### CONS

- Lacks proactive risk control (may hold highly concentrated positions)
- No potential to outperform the market

- Typically charge higher fees
- Potential to underperform market index

## ACTIVE MANAGER RETURNS OVER BENCHMARK

JANUARY 1992-AUGUST 2025; US EQUITY FOCUSED MANAGERS



Source: Morgan Stanley Wealth Management GIO, Morningstar. Note: Universe of active managers shown includes US equity-focused managers across style (growth, value, and core) and size (large cap, mid-cap, and small cap). Benchmark for each fund designated according to its investment focus. Performance of active managers and S&P 500 measured over three-year periods and annualized.

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.

## Disclosures

For index, indicator and survey definitions referenced in this report please visit the following: <https://www.morganstanley.com/wealth-investmentsolutions/wmir-definitions>

### Important Risk Considerations

#### Virtual Currency Products (Cryptocurrencies)

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

- Digital Assets have only been in existence for a short period of time and historical trading prices for Digital Assets have been highly volatile. The price of Digital Assets could decline rapidly, and **investors could lose their entire investment.**
- Given the volatility in the price of Digital Assets, the net asset value of a fund or product that invests in such assets at the time an investor’s subscription for interests in the fund or product is accepted may be significantly below or above the net asset value of the product or fund at the time the investor submitted subscription materials.
- Although any Digital Asset product and its service providers have in place significant safeguards against loss, theft, destruction and inaccessibility, there is nonetheless a risk that some or all of a product’s Digital Asset could be permanently lost, stolen, destroyed or inaccessible by virtue of, among other things, the loss or theft of the “private keys” necessary to access a product’s Digital Asset.
- Investors in funds or products investing or transacting in Digital Assets may not benefit to the same extent (or at all) from “airdrops” with respect to, or “forks” in, a Digital Asset’s blockchain, compared to investors who hold Digital Assets directly instead of through a fund or product. Additionally, a “fork” in the Digital Asset blockchain could materially decrease the price of such Digital Asset.
- Digital Assets are not legal tender, and are not backed by any government, corporation or other identified body, other than with respect to certain digital currencies that certain governments are or may be developing now or in the future. No law requires companies or individuals to accept digital currency as a form of payment (except, potentially, with respect to digital currencies developed by certain governments where such acceptance may be mandated). Instead, other than as described in the preceding sentences, Digital Asset products’ use is limited to businesses and individuals that are willing to accept them. If no one were to accept digital currencies, virtual currency products would very likely become worthless.
- Platforms that buy and sell Digital Assets can be hacked, and some have failed. In addition, like the platforms themselves, digital wallets can be hacked, and are subject to theft and fraud. As a result, like other investors have, you can lose some or all of your holdings of Digital Assets.
- Unlike US banks and credit unions that provide certain guarantees of safety to depositors, there are no such safeguards provided to Digital Assets held in digital wallets by their providers or by regulators.
- Due to the anonymity Digital Assets offer, they have known use in illegal activity, including drug dealing, money laundering, human trafficking, sanction evasion and other forms of illegal commerce. Abuses could impact legitimate consumers and speculators; for instance, law enforcement agencies could shut down or restrict the use of platforms and exchanges, limiting or shutting off entirely the ability to use or trade Digital Asset products.
- 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.
- Investors should be aware of the potentially increased risks of transacting in Digital Assets relating to the risks and considerations, including fraud, theft, and lack of legitimacy, and other aspects and qualities of Digital Assets, before transacting in such assets.
- Morgan Stanley Smith Barney LLC or its affiliates (collectively, “Morgan Stanley”) may currently, or in the future, offer or invest in Digital Asset products, services or platforms. The proprietary interests of Morgan Stanley may conflict with your interests.
- This material has been prepared for informational purposes only, based on publicly available factual information. It does not provide individually tailored or general investment advice whatsoever. It has been prepared without regard to the individual financial circumstances and objectives of persons who receive it. Investors seeking to evaluate particular investments and strategies in Digital assets must seek the advice of their independent advisors. The appropriateness of a particular investment or strategy will depend on an investor’s individual circumstances and objectives.

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

**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.

**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.

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.

**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.

An investment in a **money market fund (MMF)** is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the Fund seeks to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in the fund. The price of other MMFs will fluctuate and when you sell shares they may be worth more or less than originally paid. MMFs 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.

Any type of **continuous or periodic investment plan** does not assure a profit and does not protect against loss in declining markets. Since such a plan involves continuous investment in securities regardless of fluctuating price levels of such securities, the investor should consider his financial ability to continue his purchases through periods of low price levels.

**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.

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

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

**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.

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

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

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

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

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.

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 are not subject to expenses or fees and are often comprised of securities and other investment instruments the liquidity of which is not restricted. A particular investment product may consist of securities significantly different than those in any index referred to herein. Comparing an investment to a particular index may be of limited use.

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.

**Performance of indices** may be more or less volatile than any investment product. The risk of loss in value of a specific investment (such as with an investment manager or in a fund) is not the same as the risk of loss in a broad market index. Therefore, the historical returns of an index will not be the same as the historical returns of a particular investment product.

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.



**Disclaimer**

Morgan Stanley Wealth Management is the trade name of Morgan Stanley Smith Barney LLC, a registered broker-dealer in the United States. This material has been prepared for informational purposes only and is not an offer to buy or sell or a solicitation of any offer to buy or sell any security or other financial instrument or to participate in any trading strategy. Past performance is not necessarily a guide to future performance.

The author(s) (if any authors are noted) principally responsible for the preparation of this material receive compensation based upon various factors, including quality and accuracy of their work, firm revenues (including trading and capital markets revenues), client feedback and competitive factors. Morgan Stanley Wealth Management is involved in many businesses that may relate to companies, securities or instruments mentioned in this material.

This material has been prepared for informational purposes only and is not an offer to buy or sell or a solicitation of any offer to buy or sell any security/instrument, or to participate in any trading strategy. Any such offer would be made only after a prospective investor had completed its own independent investigation of the securities, instruments or transactions, and received all information it required to make its own investment decision, including, where applicable, a review of any offering circular or memorandum describing such security or instrument. That information would contain material information not contained herein and to which prospective participants are referred. This material is based on public information as of the specified date, and may be stale thereafter. We have no obligation to tell you when information herein may change. We make no representation or warranty with respect to the accuracy or completeness of this material. Morgan Stanley Wealth Management has no obligation to provide updated information on the securities/instruments mentioned herein.

The securities/instruments discussed in this material may not be appropriate for all investors. The appropriateness of a particular investment or strategy will depend on an investor's individual circumstances and objectives. Morgan Stanley Wealth Management recommends that investors independently evaluate specific investments and strategies and encourages investors to seek the advice of a financial advisor. The value of and income from investments may vary because of changes in interest rates, foreign exchange rates, default rates, prepayment rates, securities/instruments prices, market indexes, operational or financial conditions of companies and other issuers or other factors. Estimates of future performance are based on assumptions that may not be realized. Actual events may differ from those assumed and changes to any assumptions may have a material impact on any projections or estimates. Other events not taken into account may occur and may significantly affect the projections or estimates. Certain assumptions may have been made for modeling purposes only to simplify the presentation and/or calculation of any projections or estimates, and Morgan Stanley Wealth Management does not represent that any such assumptions will reflect actual future events. Accordingly, there can be no assurance that estimated returns or projections will be realized or that actual returns or performance results will not materially differ from those estimated herein.

The summary at the beginning of the report may have been generated with the assistance of artificial intelligence (AI).

This material should not be viewed as advice or recommendations with respect to asset allocation or any particular investment. This information is not intended to, and should not, form a primary basis for any investment decisions that you may make. Morgan Stanley Wealth Management is not acting as a fiduciary under either the Employee Retirement Income Security Act of 1974, as amended or under section 4975 of the Internal Revenue Code of 1986 as amended in providing this material except as otherwise provided in writing by Morgan Stanley and/or as described at [www.morganstanley.com/disclosures/dol](http://www.morganstanley.com/disclosures/dol).

**Morgan Stanley Smith Barney LLC, its affiliates and Morgan Stanley Financial Advisors do not provide legal or tax advice. Each client should always consult his/her personal tax and/or legal advisor for information concerning his/her individual situation and to learn about any potential tax or other implications that may result from acting on a particular recommendation.**

This material is disseminated in Australia to "retail clients" within the meaning of the Australian Corporations Act by Morgan Stanley Wealth Management Australia Pty Ltd (A.B.N. 19 009 145 555, holder of Australian financial services license No. 240813).

Morgan Stanley Wealth Management is not incorporated under the People's Republic of China ("PRC") law and the material in relation to this report is conducted outside the PRC. This report will be distributed only upon request of a specific recipient. This report does not constitute an offer to sell or the solicitation of an offer to buy any securities in the PRC. PRC investors must have the relevant qualifications to invest in such securities and must be responsible for obtaining all relevant approvals, licenses, verifications and or registrations from PRC's relevant governmental authorities.

If your financial adviser is based in Australia, Switzerland or the United Kingdom, then please be aware that this report is being distributed by the Morgan Stanley entity where your financial adviser is located, as follows: Australia: Morgan Stanley Wealth Management Australia Pty Ltd (ABN 19 009 145 555, AFSL No. 240813); Switzerland: Morgan Stanley (Switzerland) AG regulated by the Swiss Financial Market Supervisory Authority; or United Kingdom: Morgan Stanley Private Wealth Management Ltd, authorized and regulated by the Financial Conduct Authority, approves for the purposes of section 21 of the Financial Services and Markets Act 2000 this material for distribution in the United Kingdom.

Morgan Stanley Wealth Management is not acting as a municipal advisor to any municipal entity or obligated person within the meaning of Section 15B of the Securities Exchange Act (the "Municipal Advisor Rule") and the opinions or views contained herein are not intended to be, and do not constitute, advice within the meaning of the Municipal Advisor Rule.

This material is disseminated in the United States of America by Morgan Stanley Smith Barney LLC.

Third-party data providers make no warranties or representations of any kind relating to the accuracy, completeness, or timeliness of the data they provide and shall not have liability for any damages of any kind relating to such data.

This material, or any portion thereof, may not be reprinted, sold or redistributed without the written consent of Morgan Stanley Smith Barney LLC.

© 2025 Morgan Stanley Smith Barney LLC. Member SIPC.

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.