

# The Indigo Group at Morgan Stanley

## Environmental Impact Strategy

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## MODEL OBJECTIVES

The Indigo Environmental Impact Strategy (EIS) is a broad Environmental, Social and Governance (ESG) strategy with thematic elements in renewable energy and clean technology.

As impact-oriented metrics increase in quality and availability, investors are able to take actionable steps toward building a more positive, resource-efficient economy.

Our portfolio seeks to achieve positive environmental and social impact and competitive risk-adjusted returns over the long-term.

## INVESTING IN ENVIRONMENTAL IMPACT

ESG factors consider how a company does business, meaning the sustainability and societal impact of its business operations.

Beyond how a company does business, we also look at what type of business the company is in. This means more actively seeking exposure to companies whose business models revolve around creating positive environmental impact.

We aim to invest in companies aligned with solving environmental issues and/or proactively adjusting to climate change.

## RESEARCH PROCESS

Our process is designed to generate competitive risk-adjusted market returns as well as positive environmental and social impact. We search for companies rated overweight or equal weight by MS&Co research that are actively seeking to mitigate the risks associated with ESG concerns, rated BB or higher, as measured by MSCI ESG.\*

While we believe broad-based ESG data provides valuable insight to evaluate a company, additionally we seek concentrated exposure to leaders in specific ESG themes. Specifically, this portfolio strives to invest in companies that provide environmental solutions and reduce natural resource stress.

Targeting 25-30 holdings. No traditional energy sector.

## PORTFOLIO CHARACTERISTICS

(as of 6/30/2025)

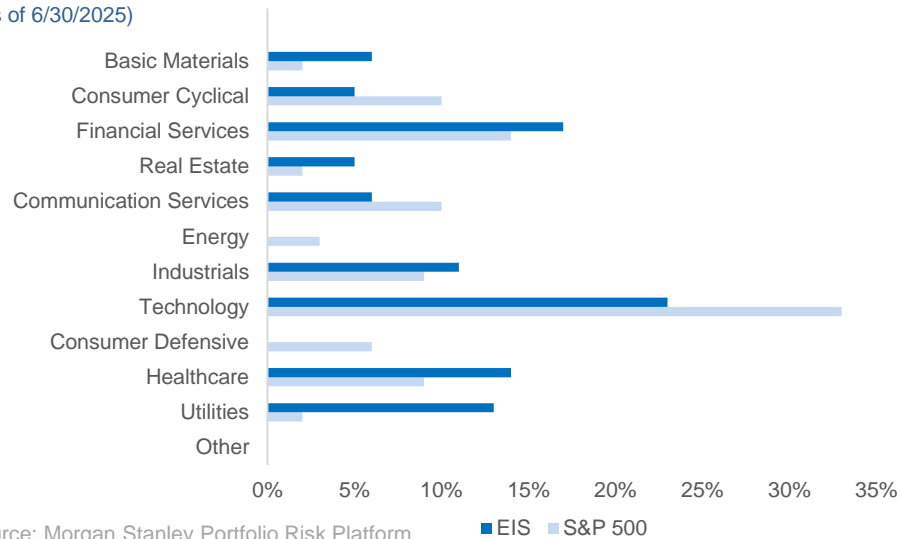
	EIS	S&P 500
P/B Ratio	2.71	5.02
P/E Ratio	23.74	27.02
Holdings (#)	26	503
Dividend Yield (%)	1.95	1.22

Source: Morgan Stanley Portfolio Risk Platform

\*Please see Disclosures Section of this document for more information about MSCI ESG ratings

## SECTOR ALLOCATION

(as of 6/30/2025)



Source: Morgan Stanley Portfolio Risk Platform

■ EIS ■ S&P 500

## PORTFOLIO MANAGEMENT TEAM

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Allocation can be customized based on client's risk tolerance or specific client request. Equity allocation can be customized below 100% based on client's risk tolerance or specific client request. In such cases, non-equity allocations may or may not be subject to ESG screening criteria. The allocation above is for illustrative purposes only, at quarter end, and does not necessarily represent the current portfolio or how your specific account would be invested. The allocation is subject to change without notice. Sector weightings may be re-allocated as industry fundamentals warrant. They may also be re-allocated as your risk/reward profile changes.

## ENVIRONMENTAL IMPACT STATISTICS (as of 6/30/2025)<sup>1</sup>



2x exposure to climate solutions vs. the S&P 500



3x exposure to renewable and clean energy vs. the S&P 500



0% exposure to the Carbon Underground 200™\*

\*Please see Disclosures Section of this document for more information about the Carbon Underground 200™

## ENVIRONMENTAL IMPACT SOLUTIONS (as of 6/30/2025)<sup>1</sup>

Impact Solutions	Benchmark Alignment (%)	Targeted Portfolio Alignment (%)	S&P 500	Portfolio
Climate Solutions	24.1	39.0		
Energy Efficiency	20.7	22.8		
Cleaner Energy Sources	5.1	18.3		
Renewable & Cleaner Energy	4.4	15.0		
Water Solutions	0.1	1.5		

1. Morgan Stanley Impact Quotient (June 2025)

A measured investment approach to targeted environmental solutions

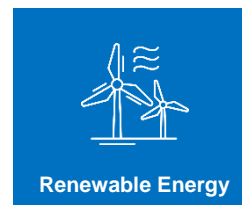
## ENVIRONMENTAL IMPACT THEMES

To help manage the risk associated with investing in targeted environmental solutions, we diversify through Innovative ESG Strategy paired with Thematic Impact Solutions:

Innovative ESG

Thematic Impact Solutions

## INDIGO ENVIRONMENTAL IMPACT STRATEGY



**MINIMUM INVESTMENT SIZE**  
**\$100,000**

## PORTFOLIO MANAGEMENT TEAM

### MARK C. CALLAWAY

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The holdings, sector weightings, portfolio traits and other data for an actual account may differ from that in this material due to various factors including the size of an account, cash flows within an account, and restrictions on an account.

The Portfolio Management Program is an investment advisory program in which the client's Financial Advisor or Private Wealth Advisor invests the client's assets on a discretionary basis in a range of securities. Throughout these disclosures, "Financial Advisor" means either your Financial Advisor or your Private Wealth Advisor. The Portfolio Management program is described in the applicable Morgan Stanley ADV Part 2, available at [www.morganstanley.com/ADV](http://www.morganstanley.com/ADV) or from your Financial Advisor.

The strategy presented, which may reference investment types, may not be appropriate for all investors. The appropriateness of a particular investment strategy will depend upon an investor's individual circumstances and objectives.

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Price/Book Ratio - or P/B Ratio is a stock's price divided by its book value per share. A fund's price/book ratio can act as a gauge of the fund's investment strategy in the current market climate, and whether it is overvalued or undervalued. The (P/B) ratio of a fund is the weighted average of the price/book ratios of the stocks in a fund's portfolio.

Price/Earnings Ratio - or P/E Ratio is a stock's current price divided by the company's trailing 12-month earnings per share from continuous operations. A fund's price/earnings ratio can act as a gauge of the fund's investment strategy in the current market climate, and whether it has a value or growth orientation. The (P/E) ratio of a fund is the weighted average of the price/earnings ratios of the stocks in a fund's portfolio. The P/E ratio of a company, which is a comparison of the cost of the company's stock and its trailing 12-month earnings per share, is calculated by dividing these two figures.

## DISCLAIMERS

The Standard & Poor's (S&P) 500 Index tracks the performance of 500 widely held, large-capitalization US stocks. An investment cannot be made directly in a market index.

Certain portfolios may include investment holdings deemed Environmental, Social and Governance ("ESG") investments. For reference, environmental ("E") factors can include, but are not limited to, climate change, pollution, waste, and how an issuer protects and/or conserves natural resources. Social ("S") factors can include, but are not limited to, how an issuer manages its relationships with individuals, such as its employees, shareholders, and customers as well as its community. Governance ("G") factors can include, but are not limited to, how an issuer operates, such as its leadership composition, pay and incentive structures, internal controls, and the rights of equity and debt holders. You should carefully review an investment product's prospectus or other offering documents, disclosures and/or marketing material to learn more about how it incorporates ESG factors into its investment strategy.

ESG investments may also be referred to as sustainable investments, impact aware investments, socially responsible investments or diversity, equity, and inclusion ("DEI") investments. It is important to understand 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. This is due to a current lack of consistent global reporting and auditing standards as well as differences in definitions, methodologies, processes, data sources and subjectivity among ESG rating providers when determining a rating. Certain issuers of investments including, but not limited to, separately managed accounts (SMAs), mutual funds and exchange traded-funds (ETFs) may have differing and inconsistent views concerning ESG criteria where the ESG claims made in offering documents or other literature may overstate ESG impact. Further, socially responsible norms vary by region, and an issuer's ESG practices or Morgan Stanley's assessment of an issuer's ESG practices can change over time.

Portfolios that include investment holdings deemed ESG investments or that employ ESG screening criteria as part of an overall strategy 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 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. For risks related to a specific fund, please refer to the fund's prospectus or summary prospectus.

Investment managers can have different approaches to ESG and can offer strategies that differ from the strategies offered by other investment managers with respect to the same theme or topic. Additionally, when evaluating investments, an investment manager is dependent upon information and data that may be incomplete, inaccurate, or unavailable, which could cause the manager to incorrectly assess an investment's ESG characteristics or performance. Such data or information may be obtained through voluntary or third-party reporting. Morgan Stanley does not verify that such information and data is accurate and makes no representation or warranty as to its accuracy, timeliness, or completeness when evaluating an issuer. This can cause Morgan Stanley to incorrectly assess an issuer's business practices with respect to its ESG practices. As a result, it is difficult to compare ESG investment products.

\*MSCI is a leading third-party data provider of ESG ratings for companies around the world. MSCI rates companies on a scale of AAA to CCC based on their exposure to and ability to manage industry-specific ESG risks.

MSCI ESG Ratings are based upon the following scale:

- AAA/AA-Leader: A company leading its industry in managing the most significant ESG risks and opportunities.
- A/BBB/BB-Average: A company with a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers.
- B/CCC-Laggard: A company lagging its industry based on its high exposure and failure to manage significant ESG risks.

Source: [www.msci.com/our-solutions/esg-investing/esg-ratings](http://www.msci.com/our-solutions/esg-investing/esg-ratings)

Investing in the markets entails the risk of market volatility. The value of all types of investments may increase or decrease over varying time periods.

Asset allocation and diversification do not assure a profit or protect against loss.

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Equity securities may fluctuate in response to news on companies, industries, market conditions and the general economic environment. Companies cannot assure or guarantee a certain rate of return or dividend yield; they can increase, decrease or totally eliminate their dividends without notice.

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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The **Carbon Underground 200** is an annually updated listing of the top 100 public coal companies globally and the top 100 public oil and gas companies globally, ranked by the potential carbon emissions content of their reported reserves. The list is produced and maintained by Fossil Free Indexes, LLC.

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