Morgan Stanley

WEALTH MANAGEMENT

INVESTMENT STRATEGY

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US Policy Pulse

2024 General Election Series

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The 2024 general election series consists of monthly reports examining the relationship between financial markets, the economy and electoral outcomes. Please note that this series will be published in addition to our flagship *US Policy Pulse* reports.

New in This Edition

- Aggregate polling numbers show momentum has swung slightly in favor of Vice President Harris since President Biden exited the race in late July. While Democrats are rallying behind the freshly minted nominee, polling data may fluctuate should enthusiasm subside after the convention.
- Trump maintains his lead over Harris in five of the seven swing states, but by very slim margins. The endorsement by independent candidate Robert F. Kennedy Jr. may further increase support for Trump and the GOP.
- The September debate may serve as an opportunity for both candidates to provide clarity on policies that could impact the markets and the economy, such as taxes, trade and foreign policy.
- Consumer sentiment increased for the first time since March but remains below the election-year average. Sentiment among independents continued to remain anchored closer to Republicans than to Democrats.
- Our analysis of industries that may benefit from either a Democratic or Republican outcome indicates that those positioned to outperform after a GOP victory continue to show strength versus their Democratic counterparts. However, we caution investors as continued momentum for Harris' campaign could create risks for stocks favored in a GOP-win scenario.
- This report is not intended to serve as an endorsement of any political party or to be predictive of electoral results. Rather, this document provides a point-in-time analysis of broad market performance and economic trends.

The 2024 General Election

The 2024 election is just weeks away and will have significant investor implications. The next president will play an important role in developing tax and trade policy, addressing debts and deficits, and navigating geopolitical unrest. We leverage financial market and economic data to guide investors and identify risks and opportunities as they develop. This report focuses on current performance and we encourage investors to view our Feb. 8 *US Policy Pulse* reports, "History of General

Election Performance, Part 1" and "History of General Election Performance, Part 2" for our historical election analysis.

What's New In Policy

Our July *US Policy Pulse* issue came on the heels of President Biden's announcement that he will no longer seek reelection in 2024 and his endorsement of Kamala Harris as the Democratic nominee. Since then, Trump's momentum has slowed as Harris has climbed in the polls; now showcasing a slight advantage versus her competitor. That said, the race has tightened significantly, and we expect a contentious fall campaign season as candidates compete for votes from independents and in swing states.

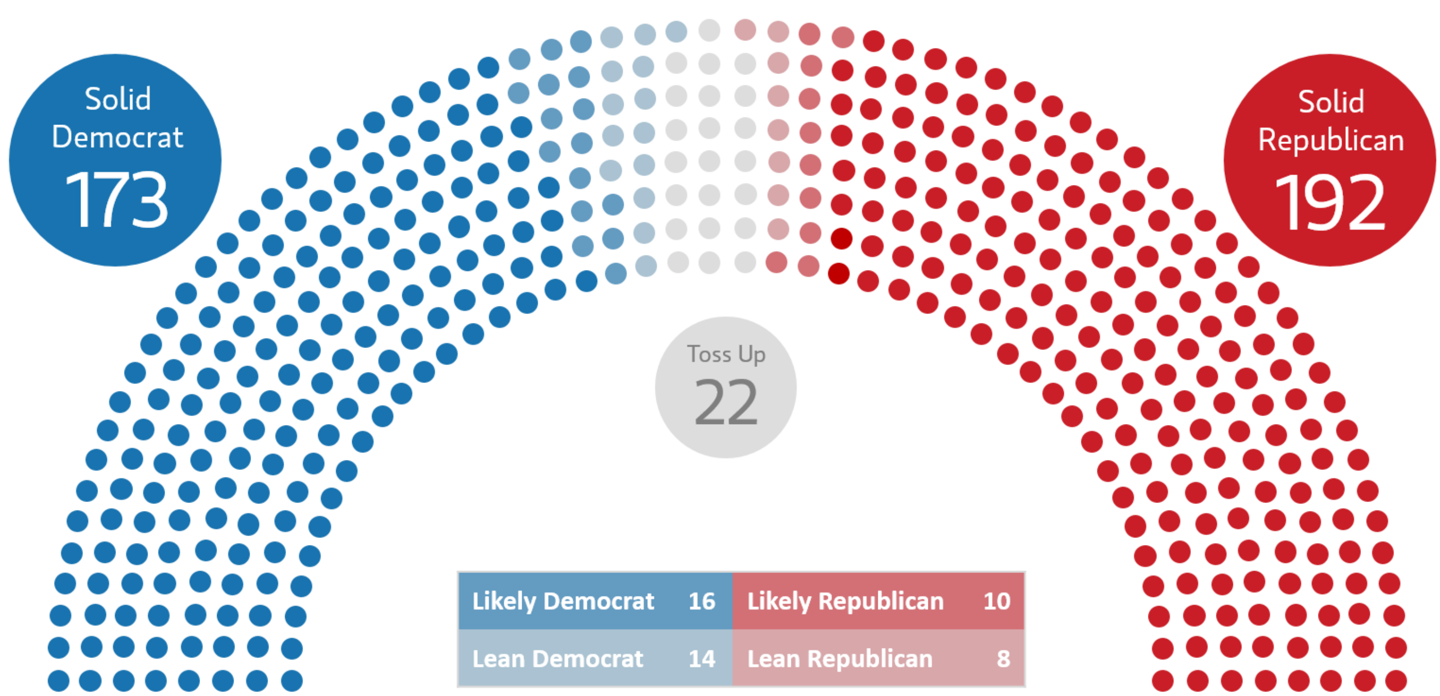
Momentum trends may settle after Labor Day as post-convention polling bumps are fully realized. The next signpost is the Sept. 10 debate, which provides an opportunity for each candidate to clarify their policy platforms, which have been light on detail this campaign cycle. Vice President Harris recently unveiled an economic agenda that included resolving the domestic housing shortage, expanding tax credits for low- and middle-income families, addressing grocery store price gouging and combating inflation. However, there was little information regarding revenue raisers to support the expansive agenda. That said, we remind investors that enacted policy is often more tempered than candidate proposals, with many presidential wish-list items never making it through the legislative process.

The House of Representatives

Republicans currently maintain a 220-212 majority over Democrats in the House of Representatives, with one GOP and two Democratic seats vacant, allowing for just a few Republicans to defect before control would tip to the Democrats. The balance of power is subject to further change, as every two years all 435 House seats are up for election. The ultimate composition depends on several factors, including candidate electability, voting trend shifts due to redistricting and the combination of retirements and legislators seeking other public offices.

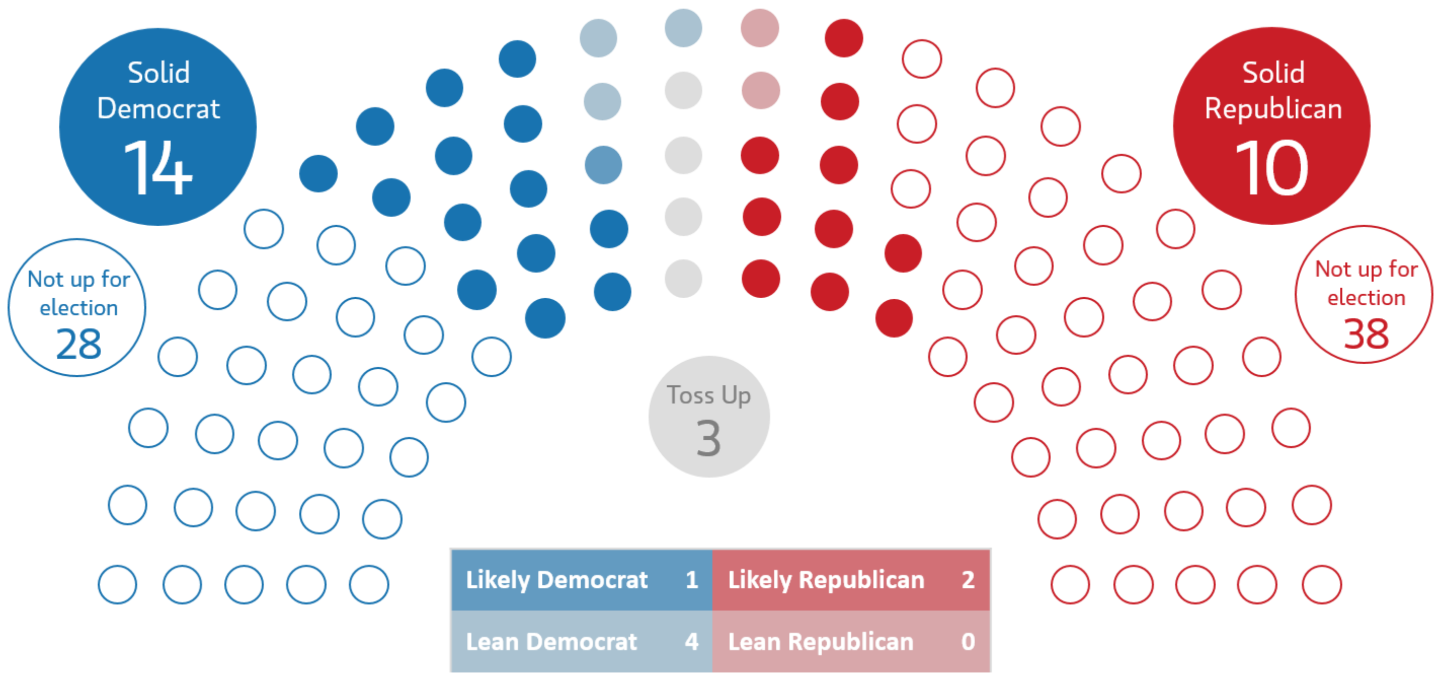
Control of the house is likely to be extremely tight, driven by just a handful of seats. Both parties see opportunity in certain races, and while Real Clear Politics reports that Democrats have a slight congressional polling lead of 0.9% over Republicans, Cook Political Report's (CPR) statistical seat ratings slightly favor Republicans. For example, CPR rates 173 seats as Solid Democrat (not considered competitive) and 30 as Likely Democrat or Lean Democrat. Meanwhile, it rates 192 seats as Solid Republican and 18 as Likely Republican or Lean Republican (see Exhibit 1). If all seats are awarded to their projected parties, Republicans would control 210 seats to the Democrats' 203, and would need to win just eight of the 22 remaining races that CPR rates as a Toss Up rating (most competitive). However, we note that enthusiasm for Harris, if continued, could translate to positive results for Democrats running in down ballot elections.

Exhibit 1: House Race Competitiveness



Source: Cook Political Report, Morgan Stanley Wealth Management Global Investment Office as of Aug. 27, 2024

Exhibit 2: Senate Race Competitiveness



Source: Cook Political Report, Morgan Stanley Wealth Management Global Investment Office as of Aug. 27, 2024

The Senate

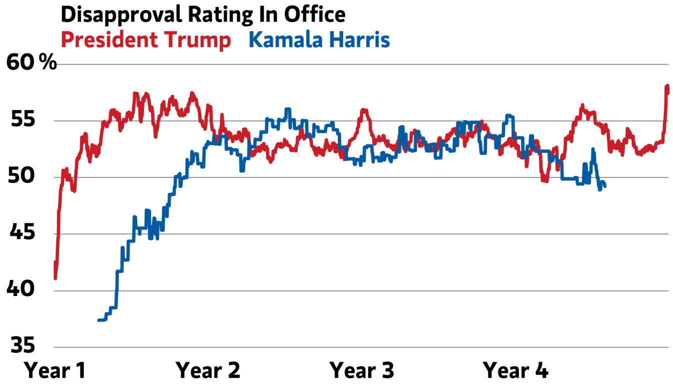
In the Senate, Democrats and independents who caucus with them maintain a slim 51-49 majority over Republicans. Unlike the House, where all seats are up for election every two years, Senate terms are six years, with only one-third of seats up for election every two years. Of the seats up this year, CPR currently rates 14 Solid Democrat, 10 Solid Republican, five Likely Democrat or Lean Democrat and two Likely Republican or Lean Republican. Three seats are rated Toss Up (see Exhibit 2). Importantly, Nevada Sen. Jacky Rosen's race has recently moved from a Toss-Up to Lean Democrat, following the broader trend of tightening Senate races in battleground states. Nevertheless, this breakdown inherently puts the Democrat's majority at risk. The retirement of Sen. Joe Manchin (D-WV) opens a seat in a state where Trump won 69% of the vote in 2020. The retirement of Sen. Kyrsten Sinema (I-AZ) opens another seat in a state that Biden won by a narrow 10,000 votes in 2020. Lastly, the retirement of Michigan Democrat Senator Debbie Stabenow sets up a potential party flip in another swing state.

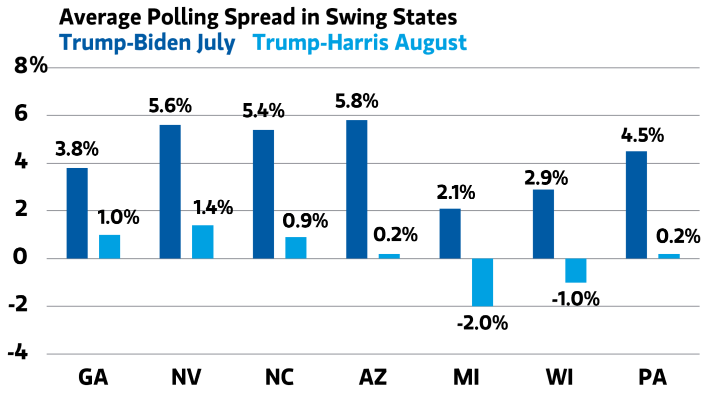
The Presidency

Harris' disapproval rating of 49% stands below Trump's disapproval rating of 54% at this point in his term, as well as below Biden's current ratings (see Exhibit 3, left). According to RealClearPolitics polling averages, Harris maintains a slim 1.5% lead over Trump, but has notably closed the gap for the Democratic party which lagged the GOP by more than 3% prior to President Biden's withdrawal from the race. That said, Trump holds narrow leads in five of the seven swing states (see Exhibit 3, right). Notably, polling error remains elevated before Labor Day, and it remains to be seen if Democrats' momentum will settle in the coming weeks as the post-convention polling bump dissipates.

Harris faces a challenge of creating and honing the delivery of her message in a very short run-up to Election Day. Conversely, Trump is tasked with reshaping his campaign message, which had been effective and disciplined in the race against Biden. The shift in the playing field may heighten the importance of the Sept. 10 presidential debate, as it could provide an opportunity for both candidates to provide greater policy detail and to appeal to swing voters.

Exhibit 3: Trump Remains More Unpopular Than Harris, While His Lead in Swing States Has Shrunk

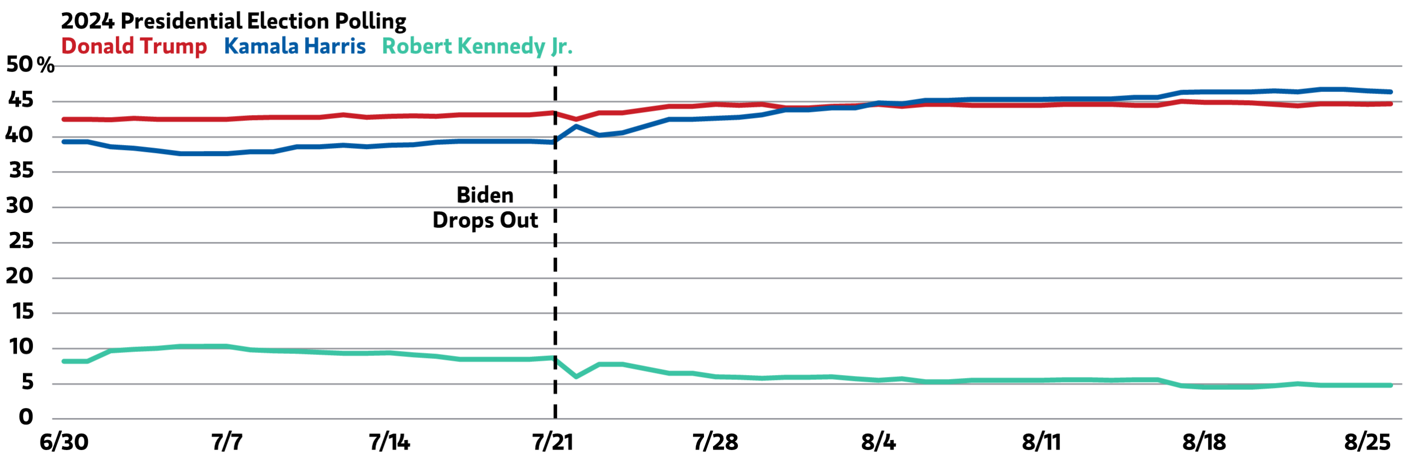




Source: 538, RealClearPolitics, Morgan Stanley Wealth Management Global Investment Office as of Aug. 27, 2024

Recently, independent candidate Robert F. Kennedy Jr. (RFK Jr.) withdrew his campaign from battleground state ballots and endorsed Trump for president. His withdrawal is notable because he currently polls at 5% nationally, higher than the Harris-Trump polling margin of 2% (see Exhibit 4). In other words, he has so far pulled votes from both Trump and Harris, and in a race of tight margins, his endorsement of Trump would likely now help Trump more than Harris on net, especially in the swing states where margins are closest. For example, when including third party candidates such as RFK Jr., Trump is behind Harris in Arizona and Pennsylvania in polling, but ahead in head-to-head polling, indicating that RFK Jr.'s endorsement could be a benefit to him in the battleground races. However, this development is unlikely to impact the importance of both major parties' attempts to speak to and secure the support of swing state voters and independents.

Exhibit 4: In a Race of Tight Margins, RFK Jr.'s Endorsement of Trump Could Be Impactful



Source: RealClearPolitics, Morgan Stanley Wealth Management Global Investment Office as of Aug. 26, 2024

Macroeconomics, Markets and the Election

Macroeconomic Indicators

While not the only determinant, voter sentiment on the economy, namely in regard to GDP in the months before the election, is correlated with presidential outcomes. According to the Center for the Study of Democratic Institutions, a 5% increase in GDP results in a corresponding 6% gain in incumbent vote share. However, this dynamic had recently broken down for Biden, as annualized second quarter GDP of 2.8% corresponded with a 1.4% drop in Biden's approval rating this year.

This disconnect is likely attributed to a voters' perceived wealth, which is often connected to inflation and the "economic pinch." For example, Morgan Stanley & Co. Research's latest AlphaWise survey shows inflation and the economy to be the top concern for 61% of consumers. US gasoline prices have moderated from their year-to-date peak in mid-April, but average gas prices are up over 40% since Biden took office, while food inflation is up a cumulative 21%. That said, while headline CPI has moderated and now stands at 2.9% versus 3.0% last month, sustained consumer pressures may have contributed to the drag on Biden's approval ratings.

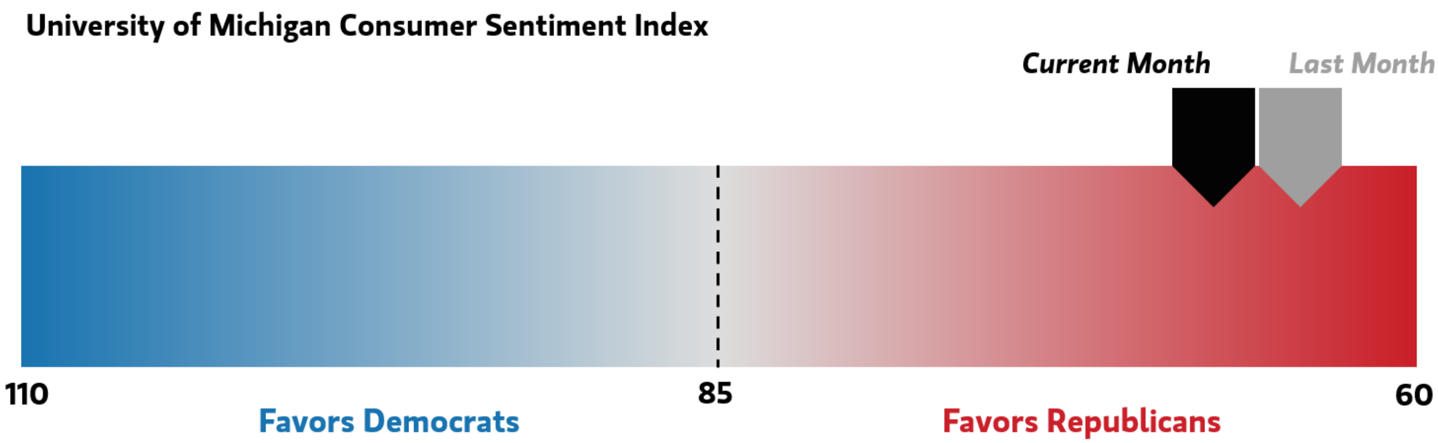
Declining inflation and a weaker labor market are driving market expectations for two to three Federal Reserve rate cuts in 2024, the first expected in September. Though financial conditions may loosen, interest rates will likely remain high compared to the past decade and may continue to weigh on households and employment. While the economy may not play as central a role in Harris' election prospects as they did with Biden, the patchwork of geopolitical pressure, inflationary and economic outcomes, and the related drag on consumer confidence creates a notable headwind.

The University of Michigan Consumer Sentiment Index (MCSI), a proxy for consumer confidence, increased for the first time since March to 67.8 on a preliminary basis in August from 66.4 in July. The index remains below its pre-pandemic level and its historical election year average of 85.7, indicating the ongoing struggles facing consumers. In fact, going back to 1978, consumer sentiment has only been this low in August of an election year twice, with one instance resulting in the unseating of the incumbent (1980) and the other in a party change in which there was no incumbent (2008).

The index has a positive correlation with incumbent presidential results of 0.5. The index averaged 92 when the incumbent party won and 80 when the incumbent party has lost. While the MCSI continues to point to favor Republicans, this month's data has ended a four-month long deterioration in consumer sentiment, and we emphasize that it is just one of many possible leading indicators of election results, and we encourage investors to consider economic conditions holistically (see Exhibit 5).

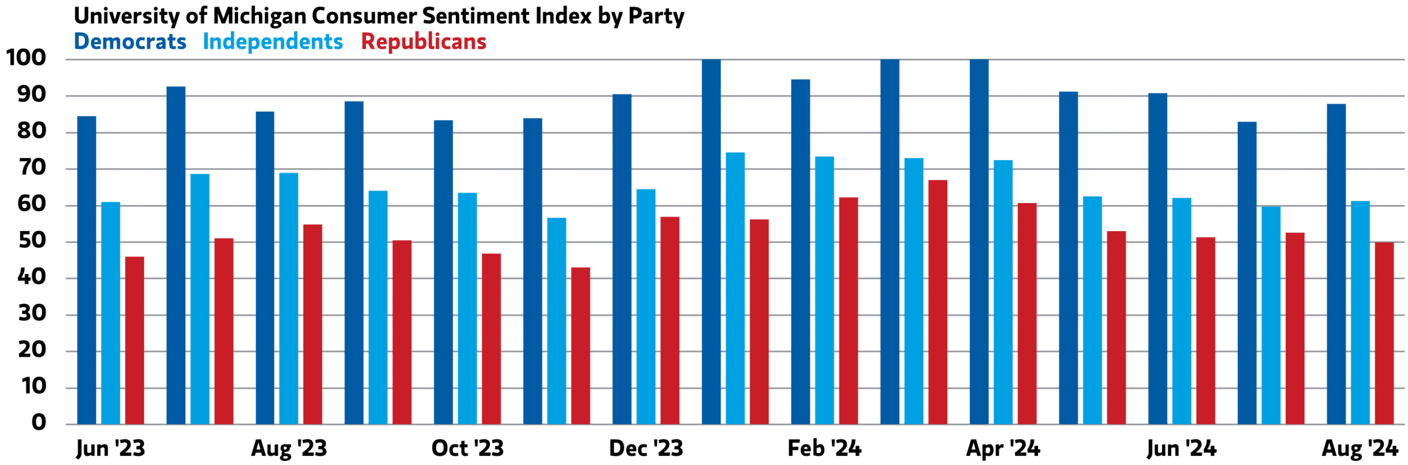
Analyzing consumer sentiment by political party, we unsurprisingly see higher readings among Democratic voters and lower readings among Republican voters, which is consistent with history, reflecting higher sentiment from those in favor of the sitting party in the White House. Sentiment fell slightly among Republicans from July to August but rose by 4.9 and 1.5 points among Democrats and independents, respectively. The recent rise among these latter cohorts may be due in part to voter enthusiasm around Harris entering the race. However, the index among independents remains closer to Republicans than that of Democrats overall (see Exhibit 6). The alignment in sentiment could perhaps point to how cohorts may vote in November.

Exhibit 5: Consumer Sentiment Rose Modestly But Still Favors Republicans



Note: Latest index reading is preliminary
Source: Bloomberg, Morgan Stanley Wealth Management Global Investment Office as of Aug. 26, 2024

Exhibit 6: Consumer Sentiment Rose For Democrats, But Independents Remain Closer to Republicans



Note: Latest index reading is preliminary
Source: Bloomberg, Morgan Stanley Wealth Management Global Investment Office as of Aug. 26, 2024

Market Indicators

On average, the S&P 500 Index has risen in election years. As investors position their portfolios ahead of the election, our analysis indicates that equity markets tend to be strongest amid gridlocked outcomes (split control of Congress and the White House), given the restraint gridlock places on sweeping policy changes. We note that the US dollar and US Treasuries tend to strengthen around elections, as investors seek safety amid political uncertainty. Market volatility also tends to rise, though 2024 may be even more volatile, given monetary policy shifts, macroeconomic and geopolitical uncertainty, polarization and social media and artificial intelligence influences.

Analyzing equity performance by sector, patterns emerge that may serve as point-in-time opportunities. For example, policy platforms can impact a sector or industry's regulation and profitability. In the instance that investors anticipate a Republican win, Utilities, Energy, Financials and Industrials may track the strong performance as they tend to outperform in election years when Republicans have won. Conversely, Information Technology and Consumer Discretionary performed favorably when a Democrat was the eventual winner (see Exhibit 7). We believe that investment opportunities in certain sectors and industries may arise as Election Day approaches.

Beyond the sector opportunities in election years detailed above, Health Care, for example, tends to outperform the S&P 500 on a 12- and 24-month horizon after a Democratic presidential victory. As such, the sector has closely tracked the odds of a Democrat presidential victory in 2024. When the odds of a Democrat win have improved, Health Care has outperformed the broader market, and vice versa (see Exhibit 8). While the recently released and upcoming Medicare drug price negotiations may affect select pharmaceutical companies, managed care and related organizations may be beneficiaries of expanded federal support for Medicare, Medicaid and the Affordable Care Act, which are central to the Democratic party platform. We see similar risks and opportunities in other sectors and industries that are moving in-line with presidential election odds.

Exhibit 7: Sector Returns by Democrat and Republican Election-Year Results

Average Performance in Republican-Win Election Year

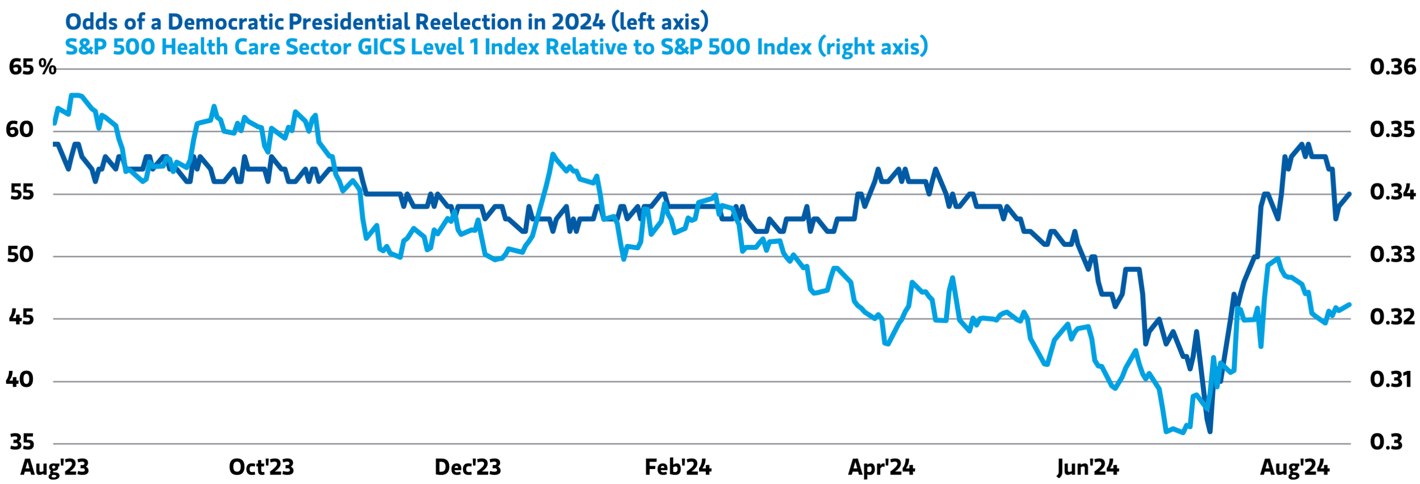
	Full Year	Q1	Q2	Q3	Q4	YTD
S&P 500	2.8%	1.4%	0.1%	-0.1%	1.3%	17.9%
Information Technology	-8.9%	4.4%	-3.3%	-3.8%	-6.4%	27.0%
Health Care	10.5%	-2.3%	10.4%	-1.9%	3.7%	13.9%
Energy	21.9%	3.2%	6.7%	6.7%	3.8%	8.8%
Consumer Discretionary	-1.4%	-0.6%	-3.5%	-1.4%	3.5%	5.3%
Consumer Staples	7.7%	-2.5%	5.7%	-2.5%	8.5%	15.8%
Communication Services	-2.0%	5.8%	-3.4%	-4.1%	-2.8%	23.2%
Utilities	27.8%	8.3%	2.8%	10.3%	4.5%	19.3%
Real Estate	10.9%	5.6%	-0.4%	0.9%	4.8%	8.1%
Materials	2.4%	-4.0%	-3.4%	-0.7%	11.2%	8.9%
Financials	17.3%	0.2%	-1.6%	9.0%	9.8%	18.2%
Industrials	12.2%	0.5%	2.5%	3.9%	5.1%	13.2%

Average Performance in Democratic-Win Election Year

	Full Year	Q1	Q2	Q3	Q4	YTD
S&P 500	3.2%	-3.3%	3.7%	2.0%	0.0%	17.9%
Information Technology	11.1%	0.7%	6.5%	2.4%	-1.0%	27.0%
Health Care	0.6%	-5.3%	2.2%	2.8%	0.3%	13.9%
Energy	-10.3%	-12.1%	10.6%	-5.8%	1.0%	8.8%
Consumer Discretionary	9.4%	0.5%	5.0%	4.2%	-0.7%	5.3%
Consumer Staples	4.7%	-2.6%	2.4%	5.3%	-0.4%	15.8%
Communication Services	2.0%	-8.7%	7.2%	-0.8%	4.4%	23.2%
Utilities	-7.4%	-7.9%	4.5%	-3.0%	-0.9%	19.3%
Real Estate	-11.3%	-2.9%	3.1%	0.8%	-12.0%	8.1%
Materials	0.8%	-0.4%	4.1%	-1.1%	-1.7%	8.9%
Financials	6.1%	-3.6%	-1.9%	3.8%	3.3%	18.2%
Industrials	1.9%	-2.8%	0.7%	2.3%	1.3%	13.2%

Note: Percents indicate sector performance for each election-year quarter or other period, ending on Dec. 31 of that election year.
Source: Bloomberg, Morgan Stanley Wealth Management Global Investment Office as of Aug. 26, 2024

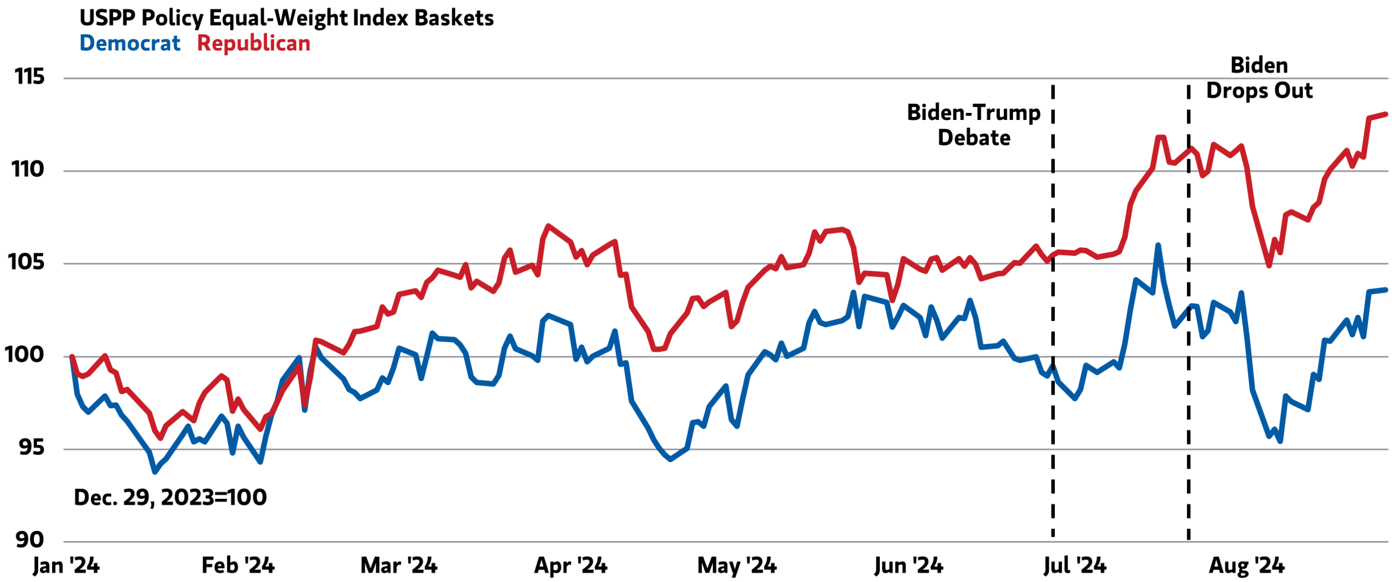
Exhibit 8: Health Care Has Closely Tracked Democratic Election Odds



Source: Bloomberg, PredictIt.org, Morgan Stanley Wealth Management Global Investment Office as of Aug. 26, 2024

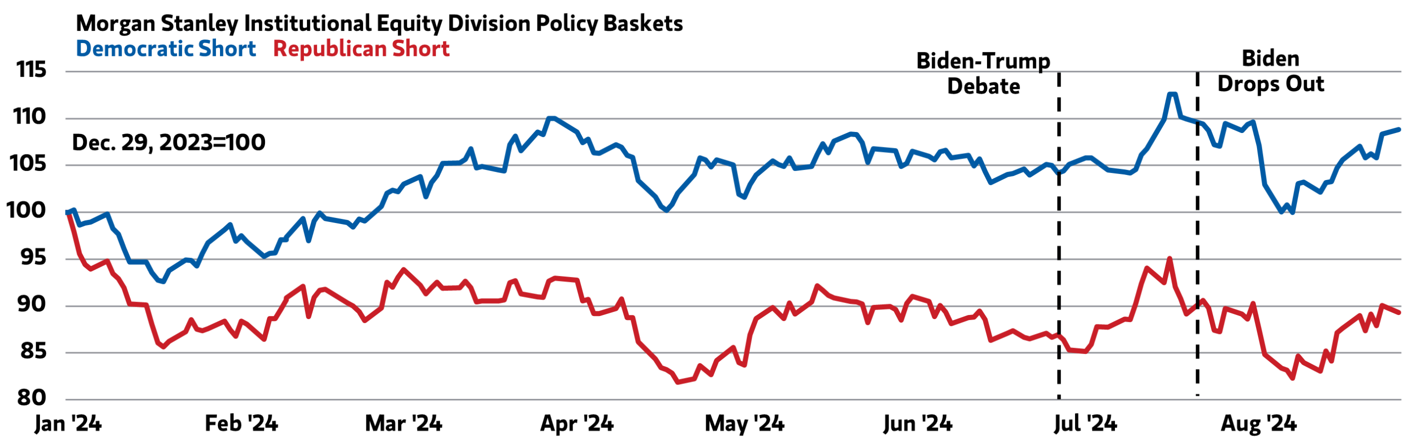
We developed two political party equal-weight baskets, each tracking 12 sector and industry exchange-traded funds positioned to benefit from either a Democratic or Republican victory. For example, sectors and industries that we expect to benefit from Democratic policymaking are clean energy, including electric vehicles (EVs) and solar; managed care; infrastructure; defense; and technology, including cybersecurity and semiconductors. Areas that we consider likely to benefit most from a Republican win are traditional energy, master limited partnerships, utilities, materials, real estate, block-chain technology, banks, pharma and biotechnology. The Republican basket has outperformed the Democratic basket by about 9% this year, below the maximum spread of 10.2% in early August. Tightening margins come on the heels of Harris' nomination, and sustained momentum could create risks for stocks favored in the event of a GOP victory (see Exhibit 9).

Exhibit 9: Republican Equal-Weight Basket Has Outperformed the Democratic Basket



Source: Bloomberg, Morgan Stanley Wealth Management Global Investment Office as of Aug. 26, 2024

Exhibit 10: Investors May Be Avoiding Stocks Vulnerable to a Trump Presidency



Source: Bloomberg, Morgan Stanley Institutional Equity Division, Morgan Stanley Wealth Management Global Investment Office as of Aug. 26, 2024

Analyzing election-related market performance from a different angle, we considered two baskets of stocks from Morgan Stanley's Institutional Equity Division: a Democratic short basket, which contains stocks that may be disadvantaged if a Democrat wins the White House, and a Republican short basket, which contains stocks that may perform poorly if a Republican wins (see Exhibit 10). The Republican short basket, down more than 18% for the year to date, has continued to underperform, indicating that investors could already be hedging against a Trump victory by selling stocks they anticipate would be negatively affected. In other words, the market may be bracing for changes to the status quo, mostly impacting companies with exposure to potential for higher tariffs, lower regulations, less support for EVs and repeal of parts of the Inflation Reduction Act.

Investment Conclusion

A unique and highly consequential election is just months away. The future of tax, trade, and foreign policy depends heavily on who wins the White House and the makeup of the Senate and House of Representatives. Debt and deficits will be in focus, too. Trump's momentum has mostly stalled in August, while Harris has benefited from climbing poll numbers and strong fundraising that have significantly tightened the race to levels before the Biden-Trump debate. The upcoming September debate is an opportunity for each candidate to provide clarity to voters around their policy positions and hone their message. On the campaign trail, Harris recently unveiled her economic vision that included addressing housing shortages, expanding tax credits and combating inflation.

The economy, including the trajectory of inflation, the labor market and growth, will be crucial to monitor as Election Day approaches. Meanwhile, consumer sentiment data has increased for the first time since March, due in part to Democratic voter enthusiasm around Harris entering the race, but overall remains below election-year averages. Sentiment among independents is still anchored closer to Republican sentiment than Democratic, which could perhaps point to how this cohort votes come Election Day. Analyzing market returns in election years, we find that opportunities may emerge in Energy, Utilities, Financials and Industrials if investors anticipate a Republican win. Should investors expect a Democratic win, Information Technology and Consumer Discretionary are likely to outperform, while Health Care could also be a notable beneficiary. Finally, when assessing performance of the USPP Policy Equal-Weight Index Baskets and the Morgan Stanley Institutional Equity Division Policy Baskets, we see the stock market may be positioning for a GOP victory, though continued momentum for Harris' campaign could create risks for stocks favored in a GOP-win scenario. We reiterate that the election is still more than two months away, and many more twists and turns are possible.

Disclosure Section

Index Definitions

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

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

Risk Considerations

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

An investment in an **exchange-traded fund** involves risks similar to those of investing in a broadly based portfolio of equity securities traded on an exchange in the relevant securities market, such as market fluctuations caused by such factors as economic and political developments, changes in interest rates and perceived trends in stock and bond prices. Investing in an international ETF also involves certain risks and considerations not typically associated with investing in an ETF that invests in the securities of U.S. issues, such as political, currency, economic and market risks. These risks are magnified in countries with emerging markets, since these countries may have relatively unstable governments and less established markets and economics. ETFs investing in physical commodities and commodity or currency futures have special tax considerations. Physical commodities may be treated as collectibles subject to a maximum 28% long-term capital gains rates, while futures are marked-to-market and may be subject to a blended 60% long- and 40% short-term capital gains tax rate. Rolling futures positions may create taxable events. For specifics and a greater explanation of possible risks with ETFs¸ along with the ETF's investment objectives, charges and expenses, please consult a copy of the ETF's prospectus. Investing in sectors may be more volatile than diversifying across many industries. The investment return and principal value of ETF investments will fluctuate, so an investor's ETF shares (Creation Units), if or when sold, may be worth more or less than the original cost. ETFs are redeemable only in Creation Unit size through an Authorized Participant and are not individually redeemable from an ETF.

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 i**nvolves 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.

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.

Master Limited Partnerships (MLPs) are limited partnerships or limited liability companies that are taxed as partnerships and whose interests (limited partnership units or limited liability company units) are traded on securities exchanges like shares of common stock. Currently, most MLPs operate in the energy, natural resources or real estate sectors. Investments in MLP interests are subject to the risks generally applicable to companies in the energy and natural resources sectors, including commodity pricing risk, supply and demand risk, depletion risk and exploration risk. MLPs carry interest rate risk and may underperform in a rising interest rate environment.

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. **Health care sector stocks** are subject to government regulation, as well as government approval of products and services, which can significantly impact price and availability, and which can also be significantly affected by rapid obsolescence and patent expirations.

Artificial intelligence (AI) is subject to limitations, and you should be aware that any output from an IA-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.

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.

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.

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.

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**.

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.

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.

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.

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