Morgan Stanley

The Boulevardier

A QUARTERLY INVESTORS REPORT FROM **THE VECTOR GROUP AT MORGAN STANLEY**

JULY 2022

EXECUTIVE SUMMARY

Second Quarter 2022

- ***Equity Markets***[1]*: U.S. equities were volatile through the 1st half as the S&P 500 fell -19.96%. Developed international equities fared worse as the MSCI EAFA fell -20.97%, while Emerging Markets held up slightly better falling by -18.78%.*
- ***Bond Markets***[2]*: High Yield and Investment Grade corporate credit drew down in tandem through the first half of 2022 as Sub-Investment Grade bonds returned -14.40% while Investment Grade returned -14.20%. High Yield spreads rose by 286 bps to 5.69% over Treasuries. Investment Grade spreads rose more modestly by 63 bps to 1.55% over Treasuries through the first half but faired poorly due to higher rate sensitivity. The US 10-year bond saw yields increase substantially in 1H, rising by 150 basis points to 3.01%. The yield curve, measured by 30 and 2 yr. rates, flattened substantially with the spread decreasing by 94 bps throughout the half as the 2-year rate rose by 222 bps and the 30-year rate rose by a more modest 128 bps. The Fed aggressively increased the target rate following March's 25 bp move, raising by 50 bps in May and 75 bps in June to a target range of 1.50 to 1.75%.*
- ***Economics***[3]*: The first half saw inflation in the spotlight with year over year readings breaking 8% and reaching levels not seen for decades. Following first quarter data that exceeded expectations in most categories, the second quarter began to see some slowing. Regional Manufacturing indices saw the most significant slowdown, while most housing indicators retreated from peak levels. National Manufacturing and Services measures moderated in aggregate but remained well in growth territory. Retail Sales were mixed through the second quarter but had a healthy first half overall. Industrial production remained strong throughout the first half, as did employment data which continually beat expectations.*
- ***Oil***[4] *closed at $105.76/barrel WTI, a +5.46% increase from the previous quarter's end and a +40.62% increase over the first half.*
- ***Gold***[5] *futures closed at $1807.30/oz., a -7.51% decrease for the 2nd quarter and a -1.16% decline through the first half.*

Outlook 2022

- *Equity volatility worsens in the second quarter.*
- *Inflation levels and Federal Reserve policy remain in center stage.*
- *Recession fears accelerate.*

ALSO IN THIS ISSUE:

Looks Can Be Deceiving

"In the business world, the rearview mirror is always clearer than the windshield"

– Warren Buffett

THE VECTOR GROUP *at* MORGAN STANLEY

1290 Avenue of the Americas, New York, New York 10104 • 212 893-7516 • **https://advisor.morganstanley.com/the-vector-group**

Tactical Ideas for Consideration

for the Appropriate Investor

ASSET CLASS CHOICE	SUB CLASS	IDEAS	CONVICTION[1]
US Equity/Debt/ Cash	Equity	Attractive	
US Equity Size	Larger	Attractive	
Equity Investment	Sectors: Info Tech, Industrials, Financials	Attractive	
Developed Int'l Equity	EuroZone	Unattractive	
Emerging Markets	China	Unattractive	
US Gov Bond Market	Long Term	Unattractive	
Municipal Bonds	Medium Duration	Attractive	
High Yield Debt	Various	Unattractive	
Preferred Stocks	QDI Financials	Neutral	
Mortgage Bonds	Agency	Attractive	
Precious Metals	Gold	Attractive	

NOTE: We have discontinued ranking currencies and alternative investments as a group.

NOTES:

[1] Lowest, Highest *[Increasing number of top hats indicates increasing conviction to the idea]*

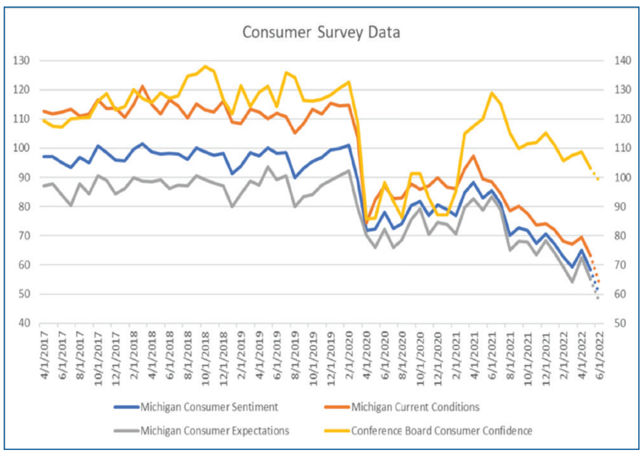
If you are interested in exploring any of the ideas mentioned above, please call. We will discuss if it is appropriate for your specific situation as well as the different investment choices available to gain exposure.

QIII 2022 Outlook

Following a volatile first quarter, Equity Markets continued their methodical decent into their second bear market in the last three years. Led by inflation and the Federal Reserve, recession fears have grown louder, putting markets into a precarious spot as the second half begins.

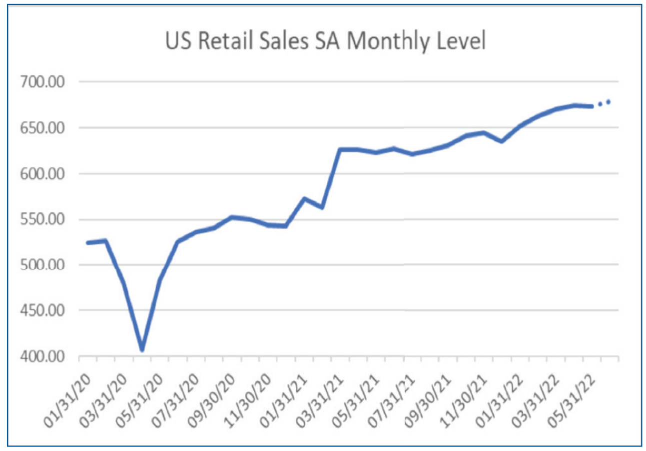
Inflation, The Consumer & Employment

Inflation concerns continued to grow throughout the quarter culminating in a 9.10% reading for the month of June[13]. Consumer Confidence, and to an even greater extent Consumer Sentiment, continued to meaningfully decline, largely related to the aforementioned inflation numbers. Both subindices of Consumer Sentiment, Current Conditions and Expectations are expected to fall to record lows in June[14]. This paints a dour picture for consumer behavior.



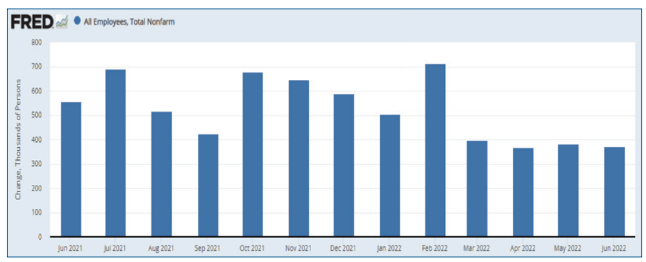
14

Oddly, however, Retail Sales have yet to meaningfully decline. Following a slight drop in May coming off an extremely strong first 4 months of the year, the metric is again expected to grow by a very healthy 0.90% in the final month of the half[13]. Given the pessimistic consumer survey data, aggregate retail sales numbers as strong as they have been, and are expected to continue to be, is unexpected.



13

Another piece that doesn't fit into the current market puzzle is the strength in employment. The only recession in the last 50 years where the employment rate did not rise over the previous 6 months was December of 1987[18]. It would be a historic outlier to see a recession with Non-Farm Job additions of over 2.7mm over the previous 6 months[15], Unemployment Claims just off historic lows, and Job Openings just off historic highs.



15

16

17

Inflation, The Fed & Market Expectations

In the previous issue of The Boulevardier, we mentioned that the April and May readings of inflation would have significant impact on Fed Policy. These were the months that inflation took its initial thrust upward in 2021. After a brief reprieve in April; May and June showed continued expansion. Expectedly, the Fed accelerated the pace of rate hikes to 75 basis points in June and are expected to do so again in July. As of the time of last issue, the market expected between 9 and 10 hikes in 2022, that number has now moved to 14[14].

A small silver lining, however, is that the Cleveland Fed's CPI Now tracker finally shows the July reading giving some reprieve. As of today, the monthly number is expected to come in at 0.39%[14]. This works out to an annualized rate of 4.78%, a good bit above the Fed's 2.00% target, but a fair amount lower than the last 12 months 9.10% reading. Even with the lower predicted monthly rate in July, the year over year rate should now not begin to meaningfully decline until the October/November releases as the previous year comps over the summer months are somewhat muted. Still, any sense of deceleration would be a welcome sight, showing the Fed's aggressive policy stance is beginning to have its desired effect.

	CPI Y/Y
1/31/2021	1.40
2/28/2021	1.70
3/31/2021	2.60
4/30/2021	4.20
5/31/2021	5.00
6/30/2021	5.40
7/31/2021	5.40
8/31/2021	5.30
9/30/2021	5.40
10/31/2021	6.20
11/30/2021	6.80
12/31/2021	7.00
1/31/2022	7.50
2/28/2022	7.90
3/31/2022	8.50
4/30/2022	8.30
5/31/2022	8.60
6/30/2022	9.10

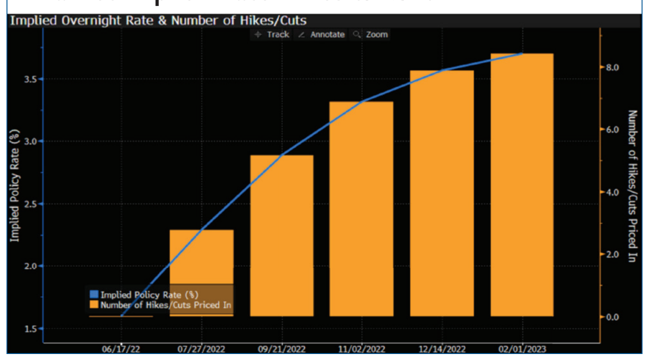
	CPI M/M
1/31/2021	0.20
2/28/2021	0.40
3/31/2021	0.60
4/30/2021	0.60
5/31/2021	0.70
6/30/2021	0.90
7/31/2021	0.50
8/31/2021	0.30
9/30/2021	0.40
10/31/2021	0.90
11/30/2021	0.70
12/31/2021	0.60
1/31/2022	0.60
2/28/2022	0.80
3/31/2022	1.20
4/30/2022	0.30
5/31/2022	1.00
6/30/2022	1.30
7/31/2022*	0.39

*Cleveland FED CPI Now Forecast

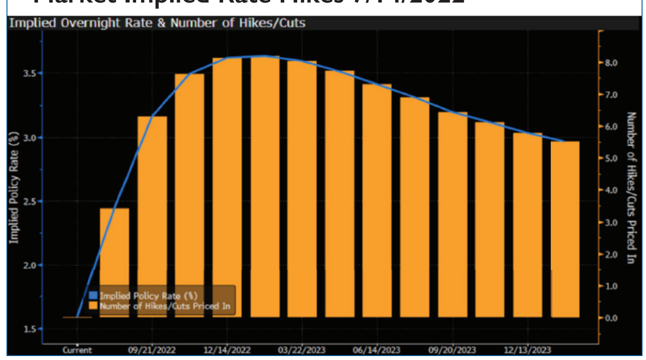
14

On a related note, over the last three weeks the market has taken a significant shift in its view of the Fed Funds rate as we move towards the end of this year and into 2023. As mentioned, 8 additional 25 bp hikes on top of the 6 we've already seen are priced in, however the market now expects nearly 3 25 bp cuts by the end of 2023/beginning of 2024[14]. This is in stark contrast to what was expected mid-June. Consensus would suggest that this relates to an upcoming recession and that very well may be true. An alternative thought could be that the market is beginning to see a path towards the Fed hiking past a neutral rate to get inflation under control that is then brought down to a level that finds equilibrium. Different economic issues were in focus, but this is largely the same concept that played out in 2018 and 2019. The Federal Reserve gradually hiked rates to an upper bound of 2.50% from Dec. 2015 through Dec. 2018, but ultimately cut three times from July through November 2019 to 1.75% due to headwinds resulting from the US/China Trade War. Markets found stabilization coming into 2019 and ultimately performed well after a very difficult fourth quarter of 2018, while economic growth from most measures remained strong throughout and looked poised to continue to do so had it not been for a global pandemic that forced the world to shut down (in case you forgot). While the cuts don't perfectly line up with the market's bottom, it is ultimately forward-looking expectations that drive. In 2018, from the end of September through the end of December the market made a similar shift to what is happening today. Two and a half additional hikes were expected through 2019 as of Sept. 29th, but by the end of December expectations for the policy rate began to show a decline[14]. This shift may have given markets a base to settle around.

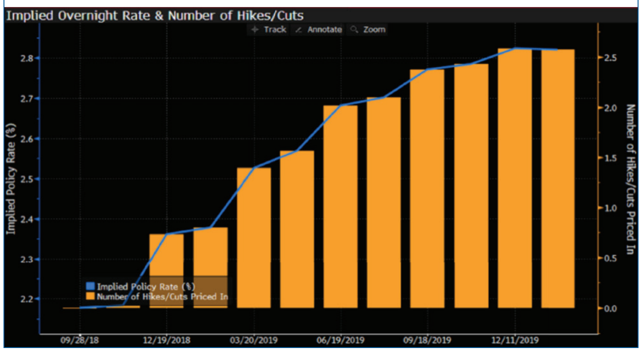
Market Implied Rate Hikes 6/17/2022[14]



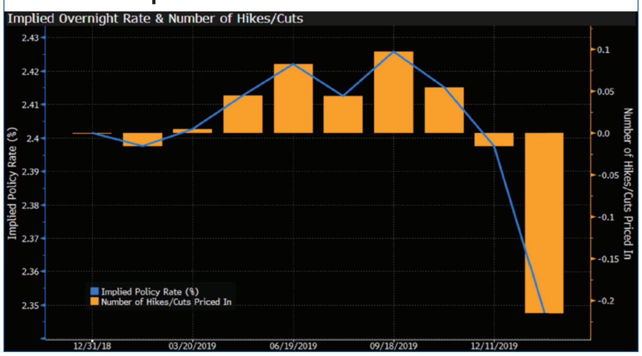
Market Implied Rate Hikes 7/14/2022[14]



Market Implied Rate Hikes 9/29/2018[14]



Market Implied Rate Hikes 12/31/2018[14]



Path Forward

The Consumer and Employment are crucial elements in dictating where markets will go. Moderation should be expected as the elevated strength these metrics have shown in the first half can't continue into perpetuity. However, moderation into sustainable levels of continued expansion would keep any recession either nonexistent or shallow as the consumer makes up 70% of U.S. GDP.

A peak in inflation as discussed above will most likely be drawn out, but evidence that the Fed's aggressive policy stance is having an effect will continue to temper expectations for even more aggressive policy. The sooner the market interprets a proverbial "light at the end of the tunnel" in terms of Fed policy, the more stability they should find.

Thirdly, as second quarter earning's announcements pick up through the end of July and August, the gap in analyst and strategist expectations should begin to close. Bank of America recently lowered their year-end price target for the S&P 500 to 3600, with the principal rational being a reduction in both 2022 and 2023 full year earnings. Notably, the gap between their market strategy team's earning expectations and consensus individual stock analyst expectations across all of Wall Street is nearly $50 for full year 2023[18]. That difference is equivalent to the S&P 500 trading at 15.18x forward estimates and 18.95x as of July 14th. In other words, below average valuation to expensive. As Q2 earnings announcements come in and companies issue their own guidance, stock analysts will be forced to reevaluate their estimates. If analysts continue to see strength and their current estimates are reaffirmed, the fear of a substantial earnings recession will be much alleviated adding confidence behind the market's attractive valuation level.

—DES

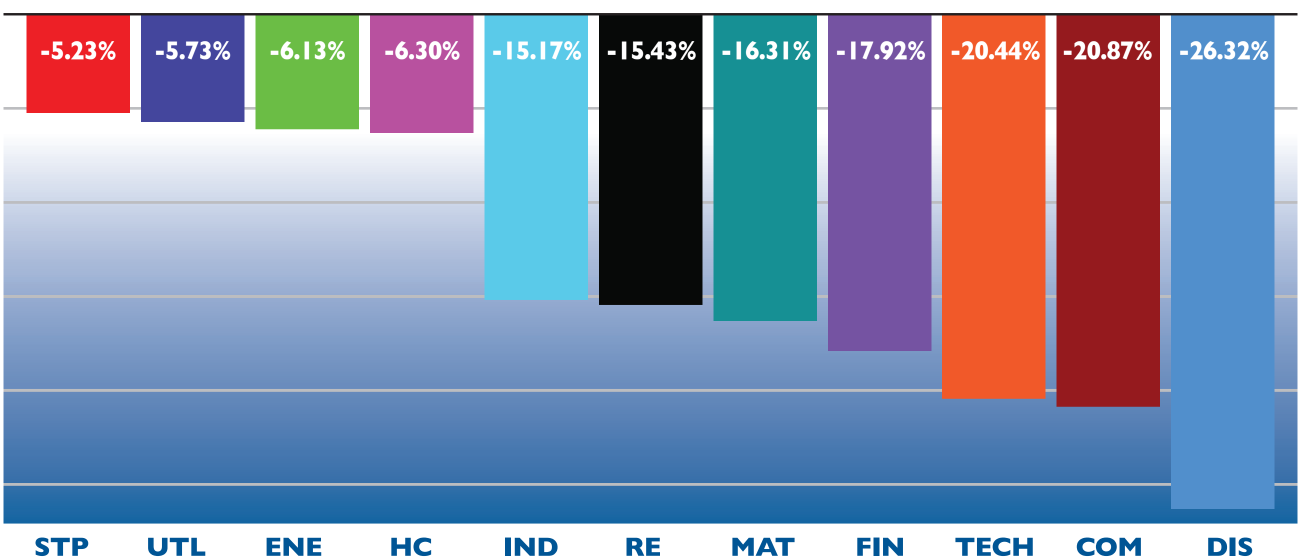
MARKET ACTION

US Equity Markets

S&P 500 - Q2 2022[6]

The S&P 500 fell -16.10% in the second quarter of 2022[1]. Outperforming sectors include Consumer Staples, Utilities, Energy, Healthcare while Consumer Discretionary, Communication Services, and Technology underperformed.

S&P 500 - Sector Performance Q2 2022[7]



(Expanded: Consumer Staples, Utilities, Energy, Health Care, Industrials, Real Estate, Materials, Financials, Information Technology, Communication Services, Consumer Discretionary)

Other Equity Markets

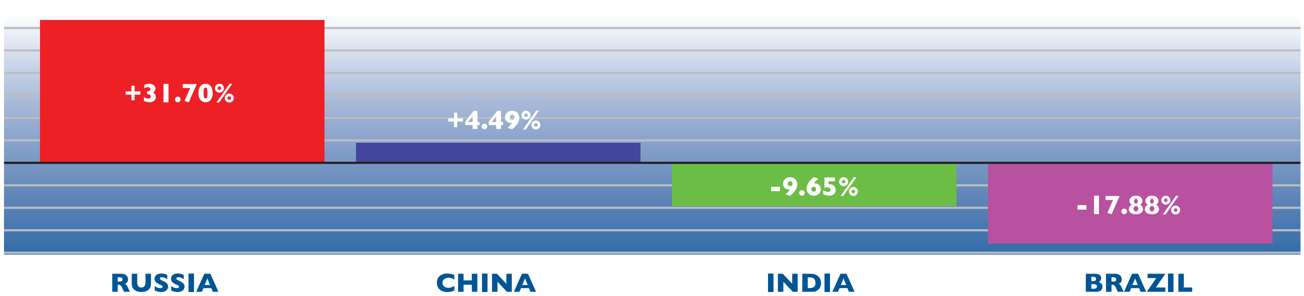
MSCI EAFE marginally outperformed the US by 73 basis points in the second quarter, falling -15.37%[1].

EAFE - Q2 2022[8]

Emerging Markets - Q2 2022[9]

Emerging Markets outperformed the US by 374 basis points while also outperforming Developed International Markets by 301 basis points in the second quarter, falling -12.36% by the MSCI EM Index[1].

Russia, Brazil, India & China - Q2 2022[10]



Energy Markets

WTI Crude Price/Barrel & Gasoline Price/Gallon Q2 2022[4]

Energy prices rose again in the second quarter as WTI added +5.46% while Gasoline futures added +12.38%[4].

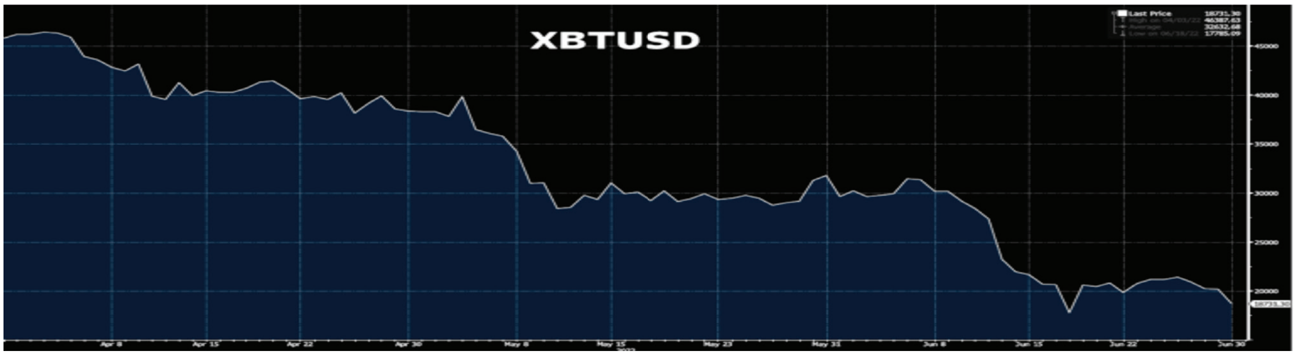
Precious Metals

Gold ended the quarter falling -7.51% while Silver ended with a decline of -19.02%[5].

Gold & Silver - Q2 2022[5]

Bitcoin

Bitcoin Q2 2022[13]



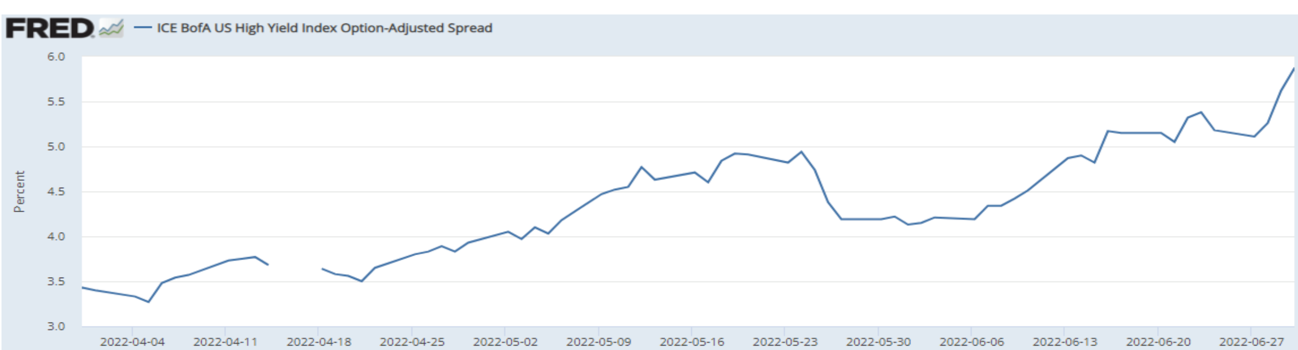
Bond Markets

Ten-Year Treasury Yields rose by 66 bps throughout the quarter to 3.01% while the Two-Year Rate rose sharply by 65 bps to 2.95%[2].

Ten Year & 2 Year Treasury Yield - Q2 2022[11]

High Yield spreads rose by 245 bps[3].

High Yield Corporate Debt Option-Adjusted Spread - Q2 2021[12]



Looks Can Be Deceiving

Summary

2022 has so far been a very tough environment with little place to hide in the investment world – stocks, bonds and alternative assets have been down seemingly in tandem. The existing relationship between these (especially interest rates and stocks) is in many ways central to this parallel decline. The selloff in "risk assets" (more volatile stocks, bonds and other assets discounting future growth) has been oddly orderly, with no real panic selling of late. I suspect this is due to a repricing in which liquidation is driven by macro considerations and "risk off" trades, rather than a sudden move indicating concern about impending doom. Unlike the onset of the pandemic in 2020 where investors suddenly weighed many different potentially disastrous scenarios, the current selloff has behaved more like letting the air out of tires where everything declines together.

Many market pundits are advising to wait for the final "shoe to drop" where investors throw in the towel and we have some final capitulative moment. We suspect that moment is unlikely as a singular event – we have already seen meaningful declines in certain asset classes including cryptocurrencies, and high growth areas of the stock market. More likely we think will be pressure on prices while economic data supports further central bank tightening and potential for eventual economic decline. Conversely, as data begins to show things like peak inflation and some economic slowing, the central bank's message could become more muted. While the Federal Reserve may overshoot in their trajectory of stopping inflation, they might then lower rates to support a faltering economy. Not that we're putting so much faith in the Fed, but this is a collection of markets in tandem more than at any other time in history.

While there could be additional declines from current levels, we suspect long term investors can begin to make forays back into the market or reposition for future increases with current assets. Best guess is we see a bottom in equity prices within the next quarter, with a stronger finish to the year.

While it may be hyper optimistic, there is the possibility that we see significant increases in equity prices with one of several events not priced in: some resolution to the conflict in the Ukraine; China fully reopening; peak inflation numbers becoming obvious. As many Wall Street prognosticators model in these at low probability, it is important to note that more bad news seems priced in and there are more bears than bulls on the street.

The current economic environment is writing history. Much in the way the stagflation of the 1970s was a seemingly new phenomenon then, an economy with strong labor, mild industrial numbers and a still very active consumer is establishing a new chapter in economic history.

I don't believe we will have a "genuine" recession in the near future, specifically one in which the consumer changes behaviour patterns significantly for an extended period. We may have a technical recession or a mild decline in my opinion.

We all worry about the next movement in the economy and the markets – what will it look like? Will we find new growth in technological advances that propelled us for the last 20+ years? Or will we revert to more bricks and mortar plays – building new venues? Will we find new alternatives for energy that create greater job growth or continue to find more efficient ways to use our current natural resources?

Inflation

Clearly the biggest bugaboo for the market now. Fed is dusting off the playbook on this as we really haven't seen persistent inflation for more than a generation.

The forces that reduced inflation to an afterthought for many years include three primary items in my view: 1) technological advances; 2) the information age; and 3) globalization.

Technological advances include physical technology including manufacturing and natural resource extraction and processing. By making these processes more efficient or effective, prices in many cases declined for years (think about energy and mining). It also includes business management and reduction of intermediary costs (think about middlemen and processing expense).

These changes are permanent and there will be further advances as the global economy evolves. Business goals put these advances as primary to cost efficiency and profitability.

The information age (also a technological advance) deserves its own segment as the access to information has made human and thereby business connection much more effective. One could write a book on this (and many have).

Globalization, the reduction of impediments to business and trade across borders, continues in spite of the east European conflict. While there does appear to be a thrust for more sovereign- independent economic activity (particularly production and distribution) the gains of the last 20 year are not yet in jeopardy. The motivation to break down legal and financial barriers was intended to make us more interdependent. While this has been called into question due to current events, the framework for global activity seems an important backdrop to conflict resolution. We will see on this.

While the current inflationary pressures are coming from natural resource access, labor and supply chains, much of these should abate in coming weeks. In many ways it already looks like we've seen peak inflation (remember, current readings are lagging).

An important side note

As many of you know who have read my pieces, the idea of using certain indicators or levels as absolute is nothing more than general anchoring and human mindset. The idea of making assertions about future action on limited or broad information has proven useless many times.

Why do we define a recession as two consecutive quarters of GDP decline? Does this capture all meaningful economic declines? Does it mischaracterize otherwise dissimilar periods? What is the use of defining a "bear market" as 20% from the last peak? Actually, this practice seems to have been a device for looking backward and measuring comparative periods of market activity and respective economic environment; not for real-time determination to guide future behavior.

Finally, while history and established relationships may be a good starting point, they are hardly a statistically significant tool: in the last 100 years we have had roughly 25 recessions. Can we say that such a small number, determined by so many actors in so varied environments is near statistical significance? Wouldn't we need well over 1000 occurrences to count? And given the shifting economic landscape, can we really say the same parameters apply over different eras?

As an investor I've always had a longer-term view for results and can be patient. Each client's financial picture warrants different foci to determine what parameters apply to their specific case and thus our recommendations are tailored to client needs; one portfolio may look very different than the next. However, we may find value in similar areas of investment choices.

—MDS

NOTES:

1 Morgan Stanley Investment Resources. Month-End Asset Return Analysis published 1 July 2022. Sources: Morgan Stanley & Co. Research, Bloomberg, and FactSet. Index returns reflect total return as of 6/30/2022.

2 Morgan Stanley Research. US Corporate Credit Strategy Chartbook published 5 July 2022. Sources: Morgan Stanley & Co. Research, Bloomberg, Citigroup Index LLC, and iBoxx. Index returns reflect total return as of 6/30/2021.

3 Factset Research Systems. Economics: United States. Data as of 6/30/2022.

4 StockCharts.com, Inc., Market data provided by Interactive Data Corporation, StockCharts.com, SharpChart of ($WTIC) Light Crude Oil – Continuous Contract (EOD) and ($GASO) Gasoline Unleaded – Continuous Contract (EOD), data as of 6/30/2022.

5 StockCharts.com, Inc., Market data provided by Interactive Data Corporation, StockCharts.com, SharpChart of Gold ($GOLD) Gold –Continuous Contract (EOD) and ($SILVER) Silver - Continuous Contract (EOD), data as of 6/30/2022.

6 StockCharts.com, Inc., Market data provided by Interactive Data Corporation, SharpChart of S&P 500 ($SPX), data as of 6/30/2022.

7 StockCharts.com, Inc. Market data provided by Interactive Data Corporation, StockCharts.com, PerfChart of S&P 500 Information Technology Sector Index ($SPT), S&P 500 Consumer Discretionary Sector Index ($SPCC), S&P 500 Health Care Sector Index ($SPHC), S&P 500 Information Utilities Sector Index ($SPU), S&P 500 Consumer Staples Sector Index ($SPST), S&P 500 Materials Sector Index ($SPM), S&P 500 Industrials Sector Index ($SPI), S&P 500 Financial Index ($SPF), S&P 500 Communication Services Sector Index ($SPTS), S&P 500 Energy Sector Index ($SPEN), and S&P 500 Real Estate Sector Index ($SPRE), data from 3/31/2022 through 6/30/2022.

8 StockCharts.com, Inc. Market data provided by Interactive Data Corporation, iShares MSCI EAFE Index ($MSEAFE), StockCharts.com, data as of 6/30/2022.

9 StockCharts.com, Inc., Market data provided by Interactive Data Corporation, SharpChart of MSCI Emerging Markets Free Index ($MSEMF), data as of 6/30/2022.

10 PerfCharts of Shanghai Composite Index ($SSEC), Brazil Bovespa Index ($BVSP), Nifty 50 Index ($NIFTY), and Russia TS Index ($RTSI), data from 3/30/2021 through 6/30/2022.

11 StockCharts.com, Inc., Market data provided by Interactive Data Corporation, StockCharts.com, SharpChart of CBOE 10-Year US Treasury Yield Index ($TNX) & ($UST2Y) 2-Year US Treasury Yield (EOD), data as of 6/30/2022.

12 FRED. ICE BofA US High Yield Index Option-Adjusted Spread. Data as of 6/30/2022.

13 Bloomberg. Data as of 6/30/2022.

14 FactSet Research Systems. Data as of 6/30/2022.

15 FRED. All Employees, Total Nonfarm Monthly Change. Data as of 6/30/2022.

16 FRED. 4-Week Moving Average of Initial Claims. Data as of 7/9/2022.

17 FRED. Job Openings: Total Nonfarm. Data as of 6/30/2022.

18 BofA Global Research. Equity and Quant Strategy United States. S&P 500 Target Update. S&P 500 target and EPS revisited. Savita Subramanian. Published 7/14/2022.

DISCLOSURES & IMPORTANT INFORMATION:

The views expressed herein are those of the author and do not necessarily reflect the views of Morgan Stanley or its affiliates. All opinions are subject to change without notice. Neither the information provided, nor any opinion expressed constitutes a solicitation for the purchase of sale of any security. Past performance is no guarantee of future results.

This material does not provide individually tailored investment advice. It has been prepared without regard to the individual financial circumstances and objectives of persons who receive it. The strategies and/or investments discussed in this material may not be suitable for all investors. Morgan Stanley recommends that investors independently evaluate particular investments and strategies and encourages investors to seek the advice of a financial adviser. The appropriateness of a particular investment or strategy will depend on an investor's individual circumstances and objectives.

Information contained herein has been obtained from sources considered to be reliable, but we do not guarantee their accuracy or completeness.

A word about the risks of the asset classes/sectors/securities discussed in this material…

International Investing: International investing may not be suitable for every investor and is subject to additional risks, including currency fluctuations, political factors, withholding, lack of liquidity, the absence of adequate financial information, and exchange control restrictions impacting foreign issuers. These risks may be magnified in emerging markets.

Equities: Investors should be willing and able to assume the risks of equity investing. The value of a client's portfolio changes daily and can be affected by changes in interest rates, general market conditions and other political, social and economic developments, as well as specific matters relating to the companies in which securities the portfolio holds.

Sectors: Portfolios that invest primarily in securities of companies in one industry or sector are subject to greater price fluctuation and volatility than portfolios that invest in a more broadly, diversified portfolio.

Fixed Income: All fixed income securities are subject to market risk and interest rate risk. If fixed income securities are sold in the secondary market prior to maturity, an investor may experience a gain or loss depending on the level of interest rates, market conditions and the credit quality of the issuer.

Interest in 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, local tax-exemption typically applies if securities are issued within one's city of residence.

Bonds are affected by a number of risks, including fluctuations in interest rates, credit risk and prepayment risk. In general, as prevailing interest rates rise, fixed income securities prices will fall. Bonds face credit risk if a decline in an issuer's credit rating, or creditworthiness, causes a bond's price to decline. Finally, bonds can be subject to prepayment risk. When interest rates fall, an issuer may choose to borrow money at a lower interest rate, while paying off its previously issued bonds. As a consequence, underlying bonds will lose the interest payments from the investment and will be forced to reinvest in a market where prevailing interest rates are lower than when the initial investment was made. **NOTE:** High yield bonds are subject to additional risks such as increased risk of default and greater volatility because of the lower credit quality of the issues.

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.

S&P 500 Index is an unmanaged, market value-weighted index of 500 stocks generally representative of the broad stock market. In investment cannot be made directly in a market index.

Tax laws are complex and subject to change. Morgan Stanley Smith Barney LLC ("Morgan Stanley") , its affiliates and Morgan Stanley Financial Advisors and Private Wealth Advisors do not provide tax or legal advice and are not "fiduciaries" (under ERISA, the Internal Revenue Code or otherwise) with respect to the services or activities described herein except as otherwise agreed to in writing by Morgan Stanley. This material was not intended or written to be used for the purpose of avoiding tax penalties that may be imposed on the taxpayer. Individuals are encouraged to consult their tax and legal advisors (a) before establishing a retirement plan or account, and (b) regarding any potential tax, ERISA and related consequences of any investments made under such plan or account.

Alternative investments often are speculative and include a high degree of risk. Investors could lose all or a substantial amount of their investment. Alternative investments are appropriate only for eligible, long-term investors who are willing to forgo liquidity and put capital at risk for an indefinite period of time. They may be highly illiquid and can engage in leverage and other speculative practices that may increase the volatility and risk of loss. Alternative Investments typically have higher fees than traditional investments. Investors should carefully review and consider potential risks before investing.

Diversification does not guarantee a profit or protect against loss in a declining financial market.

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 suitable 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.

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.

Portfolio Management is an advisory program in which the client's Financial Advisor invests the client's assets on a discretionary basis in a wide range of securities.

Russell 2000® Growth Index measures the performance of those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values. An investment cannot be made directly in a market index.

Dow Jones Industrial Average is a price-weighted index of the 30 "blue-chip" stocks and serves as a measure of the U.S. market, covering such diverse industries as financial services, technology, retail, entertainment and consumer goods. An investment cannot be made directly in a market index.

NASDAQ Composite Index is a market-value-weighted index of all NASDAQ domestic and non-U.S. based common stocks listed on NASDAQ stock market. An investment cannot be made directly in a market index.

Russell 1000® Growth Index measures the performance of those Russell 1000 companies with higher forecasted median growth (2 year) values and higher historical (5 year) sales per share growth. An investment cannot be made directly in a market index

Russell 1000® Value Index measures the performance of those Russell 1000 companies with lower price-to-book ratios... An investment cannot be made directly in a market index

The Citigroup Economic Surprise Index measures actual economic surprises relative to expectations. A positive reading means that data have been stronger than expected, while a negative reading means that data have been worse than expected.

Master Limited Partnerships (MLPs) are (rolled-up) limited partnerships of 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. Because of their narrow focus, MLPs maintain exposure to price volatility of commodities and/or underlying assets and tend to be more volatile than investments that diversify across many sectors and companies. MLPs are also subject to additional risks including investors having limited control and rights to vote on matters affecting the MLP, limited access to capital, cash flow risk, lack of liquidity, dilution risk, conflict of interests and limited call rights related to acquisitions.

The **MSCI EAFE Index (Europe, Australasia, Far East)** is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the US & Canada. As of May 30, 2011, the **MSCI EAFE Index** consists of the following 22 developed market country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, and the United Kingdom. An investment cannot be made directly in a market index.

The MSCI Emerging Markets Index is a free-float-adjusted market-capitalization index that is designed to measure equity market performance in developed and emerging markets, excluding the United States. An investment cannot be made directly in a market index.

CRC # 4859761 7/2022

Morgan Stanley

THE VECTOR GROUP *at* MORGAN STANLEY

M. David Sherrill, CFA®, CMT®
Managing Director
Senior Portfolio Management Director
International Client Advisor (ICA)
Private Wealth Advisor
212 893-7515
M.David.Sherrill@morganstanley.com

Daniel Sheldon, CFA®
First Vice President
Financial Advisor
212 492-6934
Daniel.Sheldon@morganstanley.com

Greg Waldman
Senior Vice President
Financial Advisor
212 705-4561
greg.waldman@morganstanley.com

Lindsey Paesano
Financial Advisor
212 705 4572
lindsey.paesano@morganstanleypwm.com

1290 AVENUE OF THE AMERICAS
NEW YORK, NEW YORK 10104 • 212 893-7516

https://advisor.morganstanley.com/the-vector-group