

Investor Pulse Poll

African American/Black HNW Investors

SUMMER 2022

Executive Summary

Morgan Stanley releases findings from the “Morgan Stanley Investor Pulse Poll” of 1,010 US high net worth (HNW) investors ages 25 to 75 years with \$100,000 or more in investable household financial assets. Approximately 27% of all US households fall into this group, representing approximately 35 million households (defined to exclude assets held in real estate and employer retirement plans). The poll was conducted from June 3–26, 2022 and includes interviews with hundreds of households that report investable household financial assets of \$1 million or more (approximately 33% of those interviewed), yielding a robust look at a group that makes up only 5.9% of total US households. All told, households with \$100,000 or more in investable assets account for 96% of total investable assets by value. All results reported are from the Morgan Stanley Investor Pulse Poll, specifically 224 interviews among African American/Black HNW investors.

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¹ According to aggregated data using results of the Federal Reserve’s 2019 Survey of Consumer Finances by CEB, 29% of all US households have non-retirement financial assets of \$100,000 or more and are of ages 25 to 75 years.

² According to aggregated data using results of the Federal Reserve’s 2019 Survey of Consumer Finances by CEB.

³ According to aggregated data using results of the Federal Reserve’s 2019 Survey of Consumer Finances by CEB.

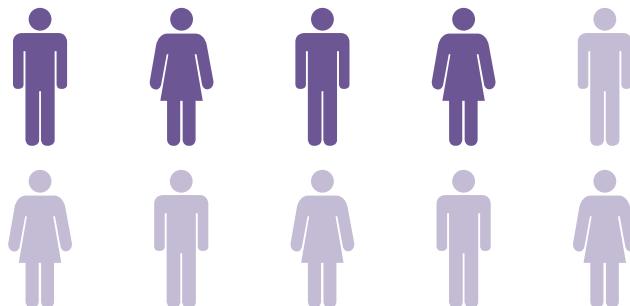


More than two years into the COVID-19 pandemic, African American/Black HNW investors demonstrate high satisfaction with their lives. However, optimism that the investment climate will be the same or better over the next 12 months is down (25 percentage points to 70%).

70%
Optimism in the investment climate, down 25%.

A sizable four in 10 African American/Black HNW investors believe that our nation's access to mental health care improved during the pandemic (39%, up 14 points).

Upwards of 90% want the companies they invest in to ensure employee access to quality mental health care (92%) and to take the issue seriously (91%)—both higher than HNW investors overall.



Four in 10

Believe that our nation's access to mental health care improved during the pandemic

92%

Want the companies they invest in to ensure employee access to quality mental health care

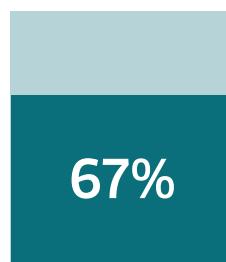
91%

Want the companies they invest in to take the issue seriously

Many (42%) African American/Black HNW investors believe that the pandemic has worsened racial disparities in the U.S. Likely a reflection of our nation's housing crisis, they are increasingly looking to the real estate sector to enact positive change in this area (30% say this, up 11 points vs. 2021). Finance takes the top spot (67%).



Are looking to the real estate sector to enact positive change in this area



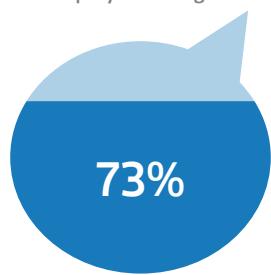
See the financial sector as having the greatest potential impact on racial inequality

While four in 10 (40%) African American/Black HNW investors currently leverage the insight of a financial professional, many more (73%) express interest in working with a professional who has special training in ESG, impact, and racial equity investing.

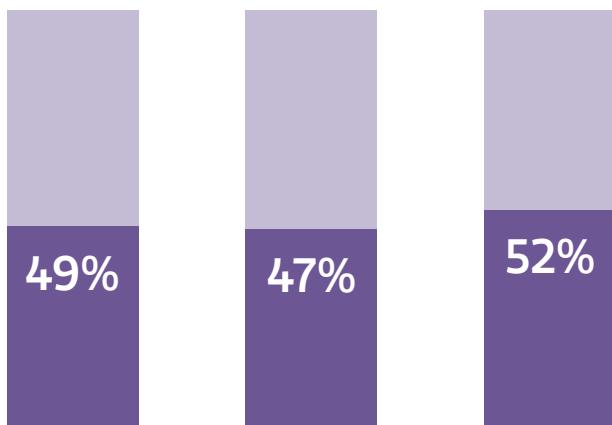


African American/Black HNW investors currently leverage the insight of a financial professional

African American/Black HNW investors express interest in working with a professional who has special training in ESG, impact, and racial equity investing



Around half of African American/Black HNW investors believe that business owners from all backgrounds currently lack equal (49%) and equitable (47%) access to outside funding—and see investment firms doing little to nothing to back businesses and start-ups owned by people of color (52%).

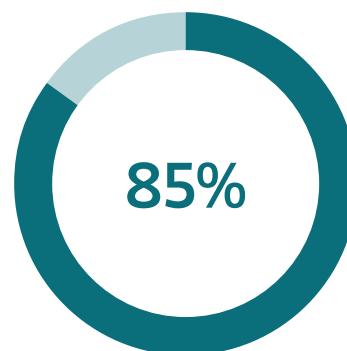


Believe that business owners from all backgrounds currently lack equal...

...and equitable access to outside funding...

...and see investment firms doing little to nothing to back businesses and start-ups owned by people of color

The great majority (85%) of African American/Black HNW investors say it's important that their portfolio aligns with their values, beliefs, and issues that matter to them. Yet, they believe there is more they could be doing (76%) and learning (76%) to make this goal a reality. Overwhelmingly, African American/Black HNW investors struggle with knowing whether to trust investment claims (92%). Each of these figures is higher than HNW investors overall.



African American/Black HNW investors say it's important that their portfolio aligns with their values, beliefs, and issues that matter to them

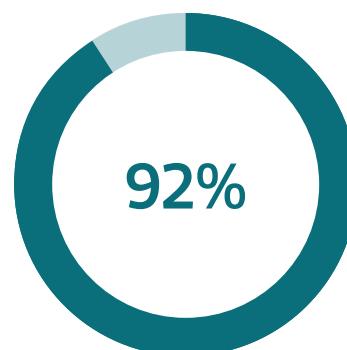


76%

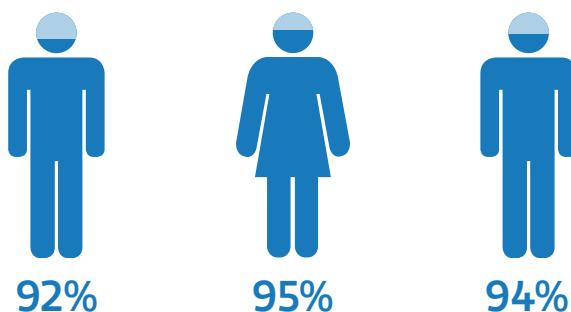
Yet, they believe there is more they could be doing (76%)...

76%

...and learning (76%) to make this goal a reality.



Overwhelmingly, African American/Black HNW investors struggle with knowing whether to trust investment claims (92%).



African American/Black HNW investors express a desire for the companies they invest in to have policies in place to promote DE&I...

...to hire and promote employees from diverse backgrounds...

...and to place employees from diverse backgrounds in leadership positions



Economic Outlook and Impact of COVID-19

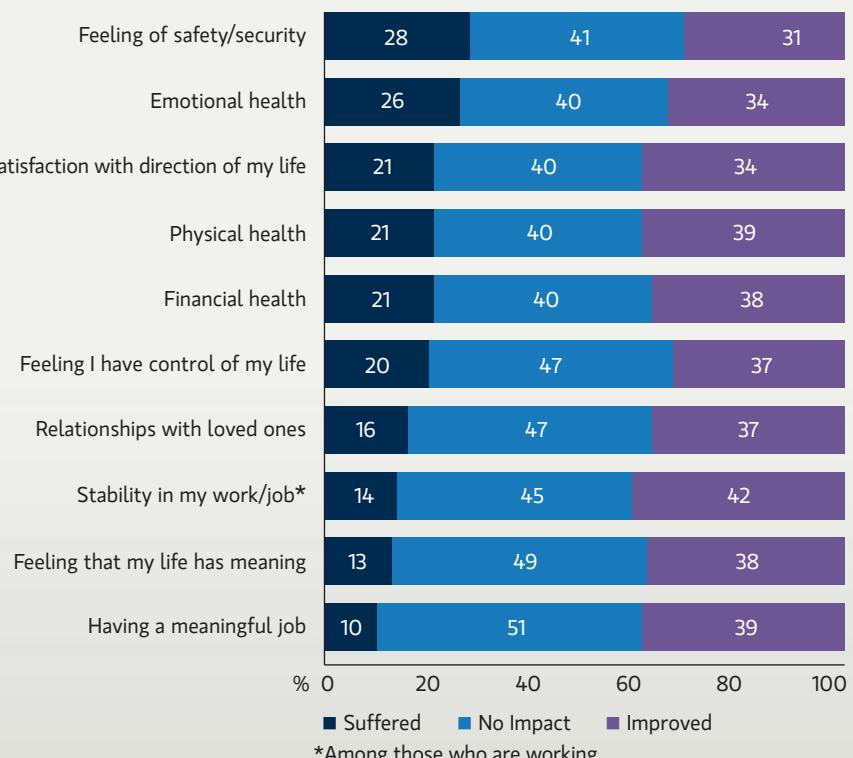
Today, African American/Black HNW Investors Report Relatively Low COVID-Related Strain; Most Are Satisfied With Their Lives

While COVID has impacted several areas in the lives of African Americans/Black HNW investors, there are several areas where Covid did not have as big of an impact. About half say they've experienced no change in feeling that their life has meaning (49%) and that their job is meaningful (51%, among those currently working). Likely reflective of the strong labor market we've seen over the last year, stability in one's job is another stand-out: 45% of those working report "no impact," while 42% say this has "improved" as a result of the pandemic.

Along these lines, anywhere from three in 10 to four in 10 African American/Black HNW investors cite improvement across areas of life due to COVID-19. These figures tend to be significantly higher than HNW investors overall. (By contrast, HNW investors overall are generally more inclined to choose "no impact" or say areas have "suffered"—a pattern observed in 2021, as well.) At the other end of the spectrum, about one in four African American/Black HNW investors reports that factors related to mental health and well-being—their sense of safety and security (28%) and emotional health (26%)—have "suffered." These assessments are in line with those observed a year ago, in 2021.

Impact of COVID-19 pandemic

% among African American/Black HNW Investors



*Among those who are working

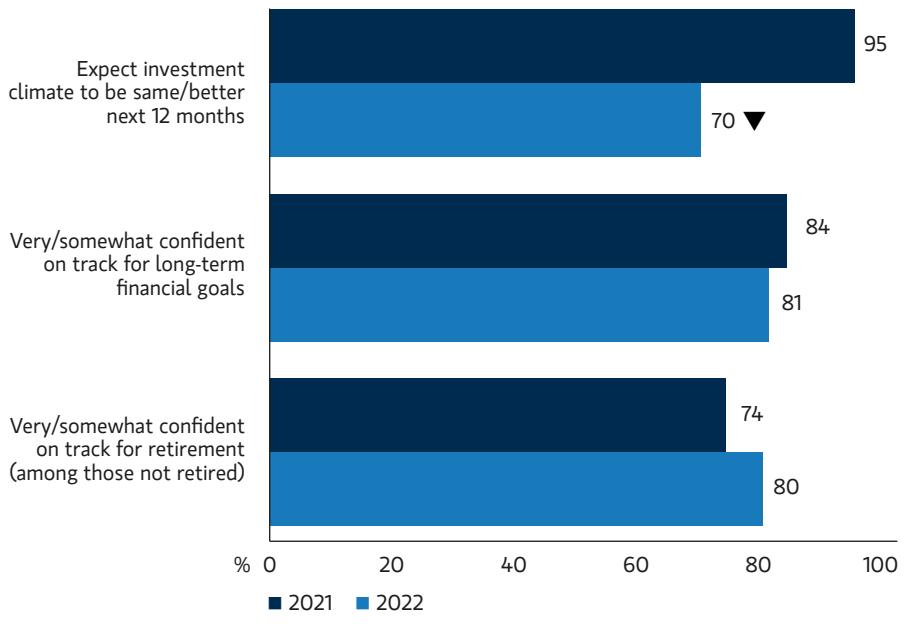


Three in four or more African American/Black HNW investors report that each area of life surveyed is "good," if not "excellent"—also stable versus 2021. Relationships with loved ones are especially strong, with almost nine in 10 (87%) giving a positive rating. By contrast, satisfaction is weakest on one's financial health (73% and significantly lower than HNW investors overall, 84%).

As seen among HNW investors overall, the expectation that the investment climate will be at least the same, if not better, over the next 12 months is down sharply among African American/Black HNW investors. Seven in 10 (70%) now hold this view, down 25 percentage points from 2021. There is considerably more optimism when looking at outlook measures that are closer to home: eight in 10 African American/Black HNW investors believe they are on track to achieve their long-term financial goals (81%) and their desired retirement (80% among those not yet retired).

Economic Outlook

% among African American/Black HNW Investors



Arrows (▲/▼) indicate a statistically significant change among AA/B HNW investors vs. 2021



Focus On: Mental Health

Access To Mental Health Care Is Improving; African American/Black HNW Investors Continue To See A Role For Corporate America In This Arena

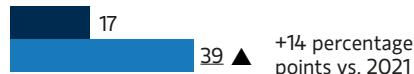
When it comes to the impact of the COVID-19 pandemic on Americans' access to mental health care, African American/Black HNW investors are somewhat divided, though the scales lean positive. Three in 10 believe that access to care has worsened (31%) or see no change in access (29%). Slightly more (39%) feel that access to mental health care has improved during the pandemic—up significantly from 2021, and statistically higher than HNW investors overall. Female African American/Black HNW investors are especially likely to feel that access has improved (47%).

African American/Black HNW investors see a role for US businesses in our nation's mental health. Strong majorities believe that companies have a responsibility to provide employees with access to quality care (90%) and that today's workforce expects businesses to take this issue seriously (81%). These views carry over to investment strategy, as well. Nine in 10 African American/Black HNW investors say it's at least somewhat important that the companies they invest in offer their employees mental health care benefits and take mental health seriously (92% and 91%, respectively, and both significantly higher than HNW investors overall).

Attitudes toward mental health

(%)

Our access to mental health care has improved due to the COVID-19 pandemic



Agree

Business has a role in ensuring employee access to quality mental health care



Today's workforce expects employers to take mental health seriously



It's important that companies I invest in...

Ensure employee access to quality mental health care



Take mental health seriously



% 0 20 40 60 80 100

■ HNW investors overall

■ African American/Black HNW investors

Arrows (▲/▼) indicate a statistically significant change among AA/B HNW investors vs. 2021
Underlining (X) indicates a statistically higher figure vs. HNW investors overall

NOTE, the following question about "Our access to mental health care" was rephrased slightly in 2022 vs. 2021:

2021: Next, **2020 was a year of** tremendous change, though not everyone experienced 2020 the same way. In your opinion, how have each of the following changed, if at all?

2022: Next, **the COVID-19 pandemic has brought about** tremendous change, though not everyone has experienced the pandemic in the same ways. In your opinion, how have each of the following changed, if at all?



Focus On: Diversity, Equity, and Inclusion

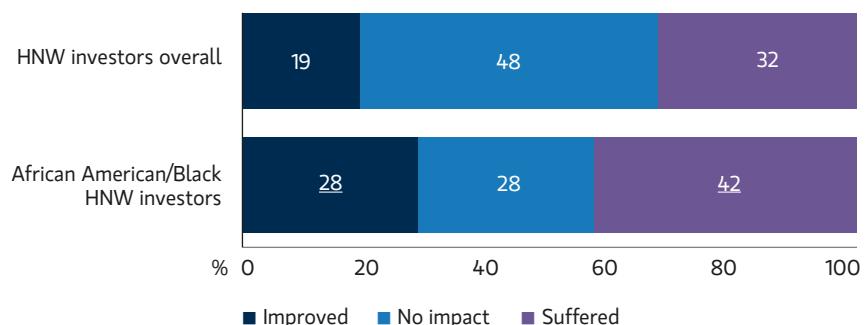
Many See COVID As Worsening Racial Disparities In America

African American/Black HNW investors are decidedly more negative than positive on the current state of diversity, equity, and inclusion in our country. Four in 10 believe that the COVID-19 pandemic has caused our focus on racial inequity and inequality to suffer (42%, and significantly higher than HNW investors overall). African American/Black HNW investor Boomers are especially likely to see things as deteriorating due to the pandemic (58%).

Overall, fewer African American/Black HNW investors see the pandemic as having no impact or making things better (each 28%).

Impact of COVID-19 Pandemic

Our focus on racial inequity and inequality has... (%)



Underlining (X) indicates a statistically higher figure vs. HNW investors overall

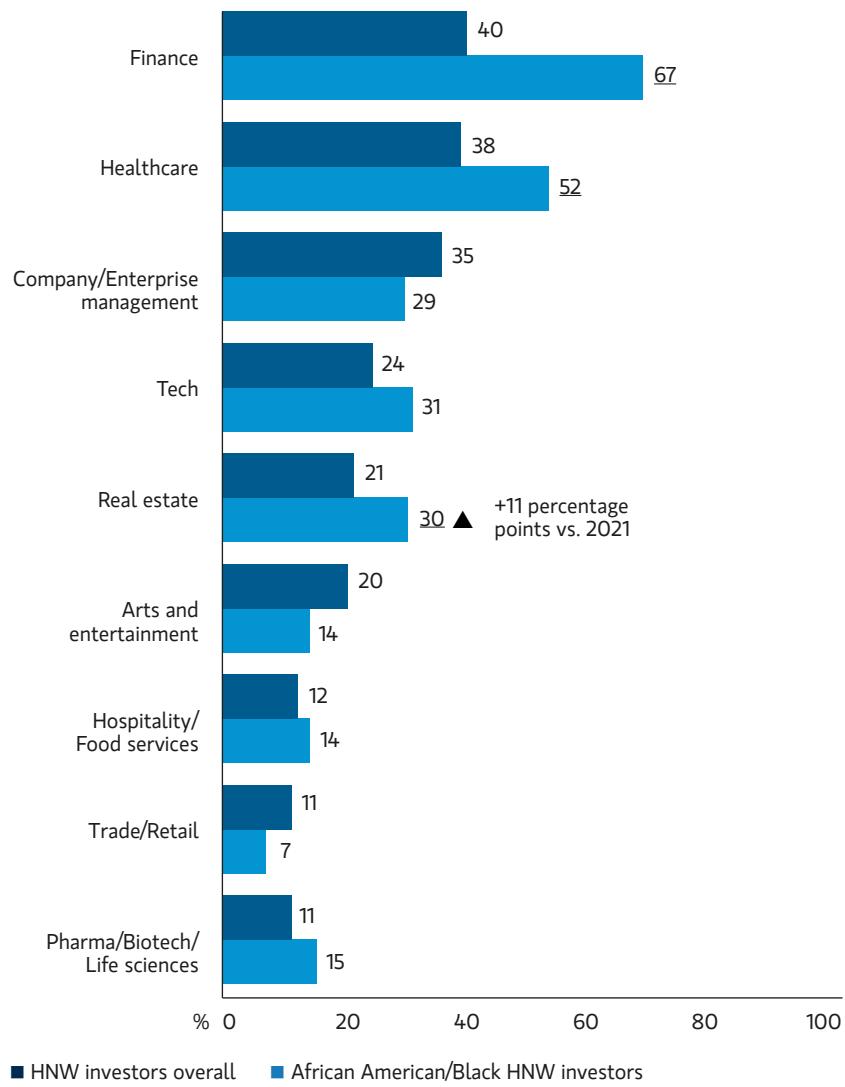


Financial Services Sector Has Potential To Move The Needle

When asked which sectors could have the biggest impact on racial inequality, African American/Black HNW investors and HNW investors overall share the same industry leaders. However, by a wide margin, African American/Black HNW investors are more likely to view the financial sector as having potential to enact meaningful change (67% vs. 40%). They also gravitate more towards healthcare/social assistance (52% vs. 38%). Likely a symptom of our nation's housing shortage, the real estate sector grows in importance this year (now 30% among African American/Black HNW investors)—a pattern also seen among HNW investors overall.

Sectors with potential to make the biggest difference on racial inequality

(%)



Arrows ($\blacktriangle/\blacktriangledown$) indicate a statistically significant change among AA/B HNW investors vs. 2021
 Underlining (\underline{X}) indicates a statistically higher figure vs. HNW investors overall



More Work Is Needed to Level the Playing Field In Business

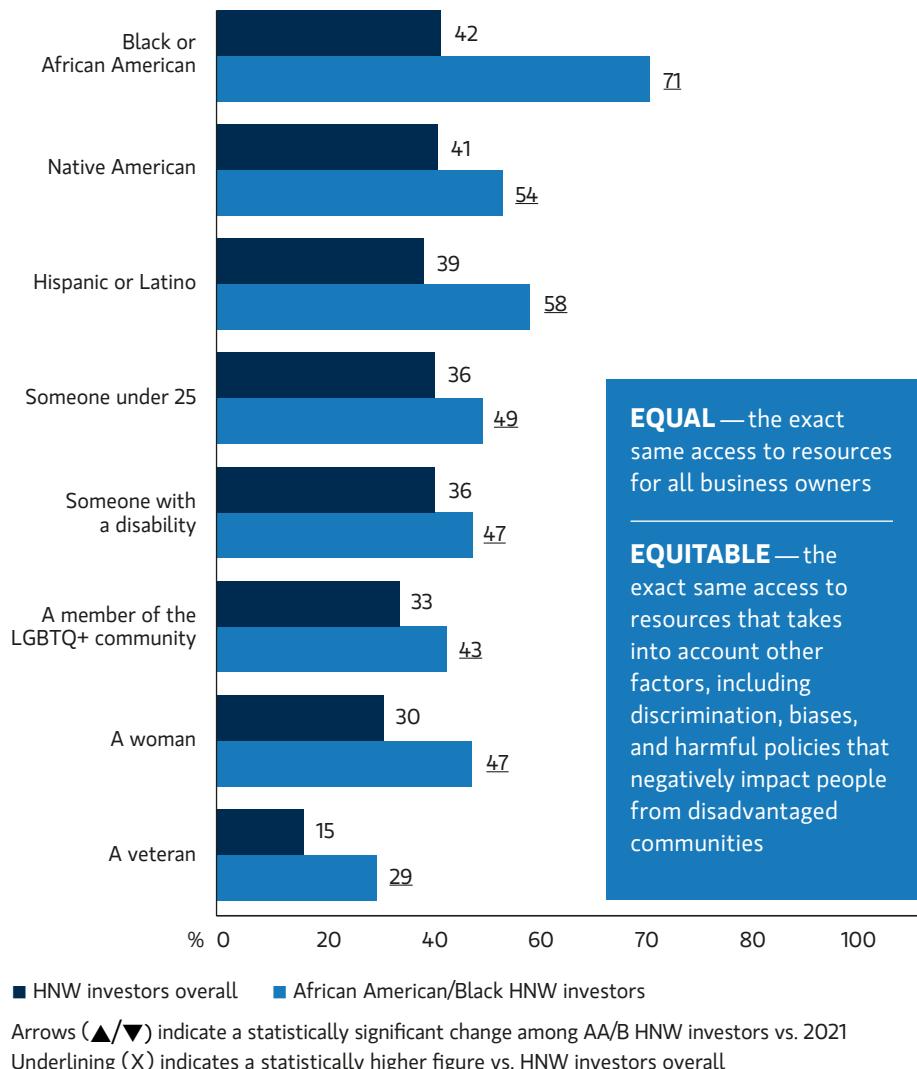
The disparities observed in our society, generally, also come up when drilling down to the business community and investment firms. Virtually all (95%) African American/Black HNW investors say it's important that business owners from every background have access to outside funding. Two in three (66%) view this as "very" important—significantly higher than HNW investors overall (53%).

Yet, African American/Black HNW investors are questioning the existence of equity in funding. Almost half believe that business owners from all backgrounds currently lack equal (49%) and equitable (47%) access to outside funding. Fully half (52%) say that investment firms are doing little to nothing to back businesses and start-ups owned by people of color. (Far fewer HNW investors overall hold this view of investment firms, 29%).

Further driving home this point, African American/Black HNW investors are more inclined than those overall to believe that many specific groups of business owners are at a disadvantage when it comes to funding. In fact, majorities believe that African American/Black (71%), Hispanic/ Latino (58%), and Native American (54%) owned businesses currently lack equal and equitable opportunities to secure funding. Near majorities say the same of business owners who are under age 25 (49%), who are women (47%) and, who have a disability (47%).

Do Business Owners From All Backgrounds Have Equal/Equitable Access To Outside Funding?

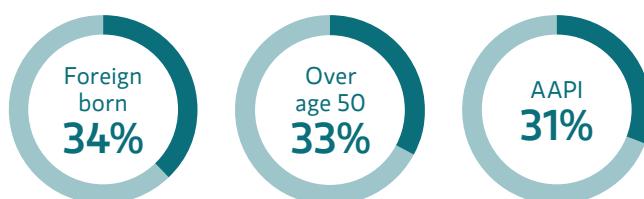
% Who Say "No"



EQUAL—the exact same access to resources for all business owners

EQUITABLE—the exact same access to resources that takes into account other factors, including discrimination, biases, and harmful policies that negatively impact people from disadvantaged communities

ONE IN THREE AA/B HNW investors say these backgrounds lack a level playing field in business: (No different than HNW investors overall.)



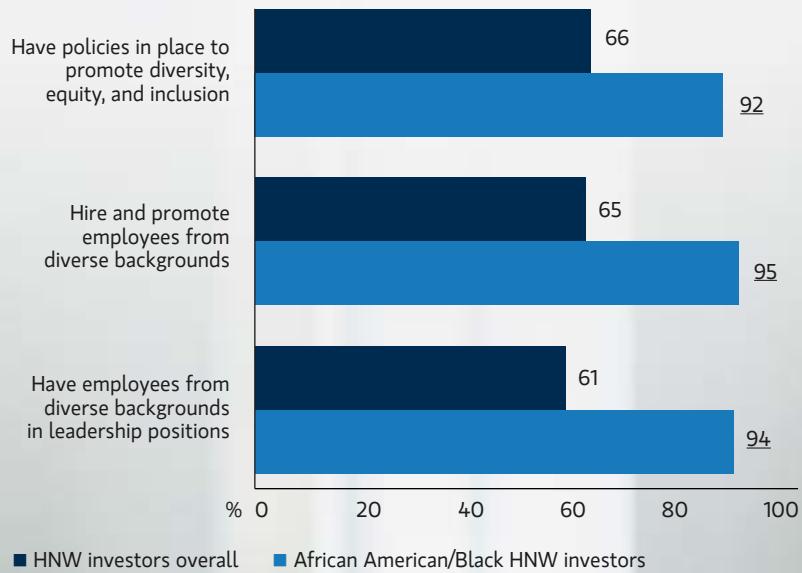
African American/Black HNW Investors Want Companies They Invest In To Prioritize DE&I; It's Just Good Business

Issues of diversity, equity, and inclusion are not merely abstract concepts to African American/Black HNW investors. In fact, these investors are especially likely to see importance in the companies they invest in having policies in place to promote DE&I, hiring and promoting employees from diverse backgrounds, and placing people from diverse backgrounds in leadership positions (each topping 90% and significantly higher than HNW investors overall).

Not only are African American/Black HNW investors drawn to this type of investment strategy, but they also believe that prioritizing DE&I is a wise business decision. Eight in 10 (81%) "strongly" agree that it makes good business sense for companies to promote diversity, equity, and inclusion in the workplace (over 30 percentage points higher than HNW investors overall, 47%).

It's important that companies invest in...

% "Very" or "Somewhat" important



Wealth Management

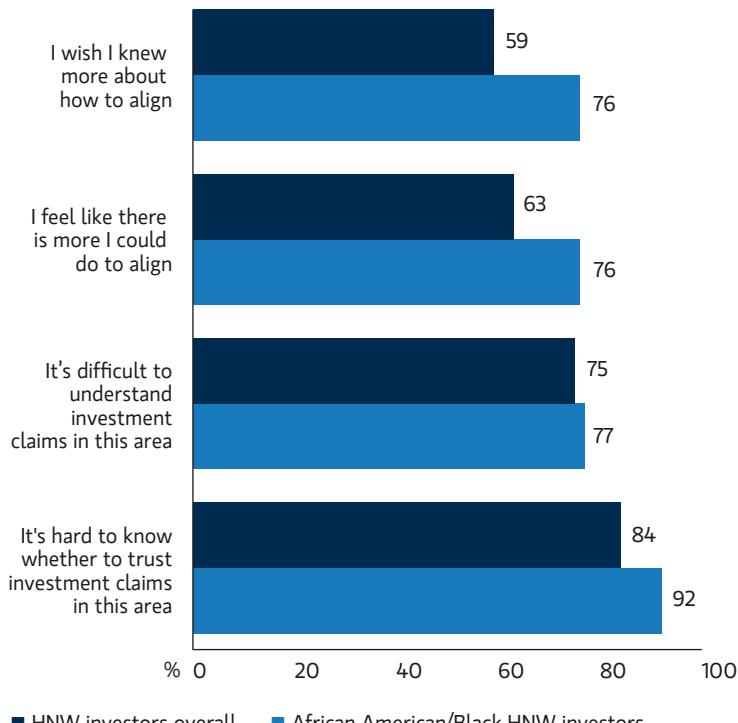
Significant Opportunities Exist To Help African American/Black HNW Investors Align Portfolios With Values, And Close Information Gaps

Questions around the concept of aligning investments with one's beliefs, values, and issues that matter to them on a personal level uncover striking gaps between African American/Black HNW investors and those overall. Far more African American/Black HNW investors indicate that this is "somewhat," if not "very," important to them (85% vs. 71% overall). Yet, African American/Black HNW investors are more likely than those overall to sense that there is more to learn (76% vs. 59%) and do (76% vs. 63%) to make this goal a reality. They are also more likely to struggle with knowing which investment claims to trust (92% vs. 84% overall).

Notably, four in 10 (41%) believe their portfolio currently aligns "very" if not "somewhat" well with their beliefs, attitudes, and values. However, another four in 10 (42%) are simply unsure, reinforcing a need for more education.

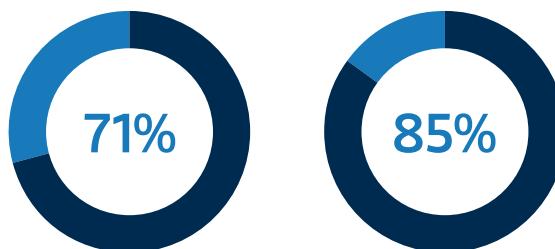
Investment portfolio aligns with beliefs, values and issues that matter

100% "Strongly" or "Somewhat" agree



Arrows (▲/▼) indicate a statistically significant change among AA/B HNW investors vs. 2021
Underlining (X) indicates a statistically higher figure vs. HNW investors overall

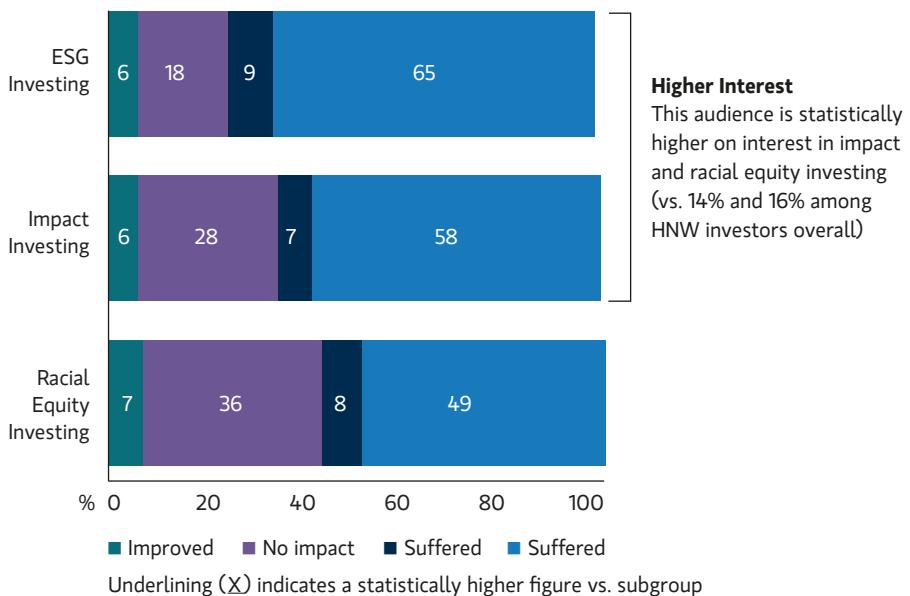
This is important to me (%)



Along these lines, more outreach and support are needed on investment strategies like ESG, impact, and racial equity investing. In each case, half or more African American/Black HNW investors are unfamiliar: 65% for ESG, 58% for impact, and 49% for racial equity investing. Moreover, this audience expresses greater enthusiasm for pursuing both impact and racial equity investing relative to HNW investors overall.

Experience/Interest in Investment Strategies

% among African American/Black HNW investors



ESG INTEGRATION—Proactively considering environmental, social and governance criteria alongside financial analysis.

IMPACT INVESTING—Seeking to make investments that intentionally generate measurable positive social and/or environmental outcomes.

RACIAL EQUITY INVESTING—Allocating investment funds or financing private enterprises that do things like help founded companies owned by people of color grow, stand against profits from incarceration, and bring food to underserved communities, etc., in addition to companies that are leading on diversity and inclusion efforts.



Use Of Financial Professionals

Financial Professionals Can Bridge Knowledge Gaps Around ESG, Impact, And Racial Equity Investing and Portfolio Alignment

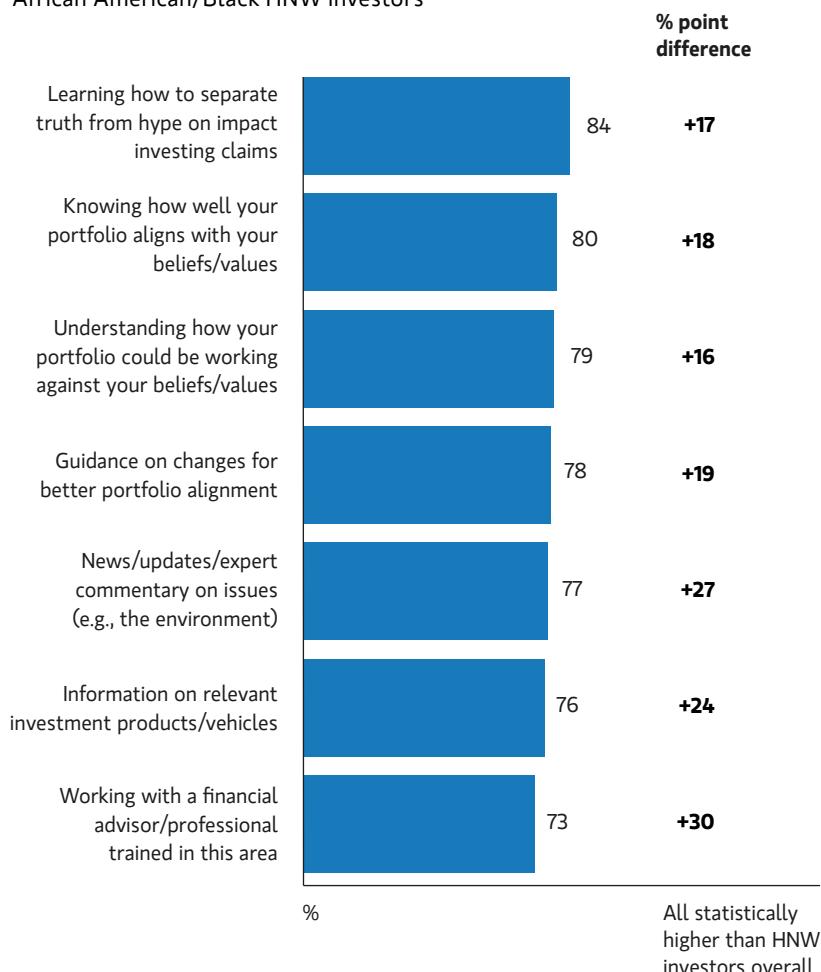
Even if not working with a financial professional today, large majorities of African American/Black HNW investors express interest in information that would boost their ESG, impact, and racial equity investing "IQ." First and foremost, they want to learn how to separate fact from fiction when it comes to investment claims (84%). Also important is understanding how well their portfolio currently aligns with their values (80%), how investments could be working against their interests (79%), and suggestions to improve alignment (78%).

Next is information on specific investment issue areas (77%) and products (76%), followed by working with an advisor or other financial professional who has special training in this area (73%). Interest in each of these areas is significantly greater than among HNW investors overall.

If looking to develop an investment strategy around issues like the environment, social change, or racial equity, most African American/Black HNW investors would want to leverage the help of a financial professional either solely (10%) or in conjunction with their own research on the subject (60%). Currently, four in 10 (40%) leverage the insight of a financial professional (below HNW investors overall, 56%). This is typically a financial advisor or a CFP (52% and 42%, respectively, among those working with a financial professional).

Interest in ESG, Impact and Racial Equity Investing Support

% "Very" or "Somewhat" interested among African American/Black HNW investors



Methods

The Morgan Stanley Investor Pulse Poll was conducted by Ipsos Public Affairs using the KnowledgePanel, the only large-scale representative panel of the adult population in the US for which members are recruited using a probability-based address-based sampling methodology. In order to maintain full representation of all adults, households without Internet access are provided internet-enabled devices and ISP as well. From June 3-26, 2022, a random sample of 1,010 respondents across the US were interviewed. In order to qualify for this study, respondents were required to have \$100,000 or more in household liquid investable assets, be

between the ages of 25 and 75 years old, and to be one of the primary decision-makers in the household for financial decisions. Quotas were applied in order to obtain approximately one third in each of the following categories: \$100,000 to \$499,000; \$500,000 to \$999,000; and \$1 million or more in investable assets. Results were then weighted to age within each of these three asset classes using benchmarks from the Federal Reserve's 2019 Survey of Consumer Finances. A number of oversamples were conducted leveraging the KnowledgePanel:

- Women of Color (312 interviews), i.e., a group of women excluding those who identify as non-Hispanic white

- African American/Black HNW investors (224 interviews), i.e., a group of HNW investors who identify as non-Hispanic Hispanic/Latino.
- Hispanic HNW investors (210 interviews), i.e., a group of HNW investors who identify as Hispanic

Respondents from these oversamples were required to have \$50,000 or more in household liquid investable assets, and data were weighted using benchmarks from the Federal Reserve's 2019 Survey of Consumer Finances.

SAMPLE PROFILE	HNW INVESTORS OVERALL	WOMEN OF COLOR	AFRICAN AMERICAN/BLACK HNW INVESTORS	HISPANIC/ LATINO HNW INVESTORS
Gender				
Male	61%	—	37%	61%
Generations				
Millennials (26–39)/Gen X (40–57)	53%	55%	65%	74%
Boomers (58–75)	47%	45%	35%	26%
Investable Assets				
\$50k to under \$100K	—	39%	37%	37%
\$100,000 to under \$500,000	61%	47%	51%	53%
\$500,000 to under \$1M	17%	11%	8%	7%
\$1M or more	22%	3%	4%	4%
Currently working with a financial professional	56%	43%	40%	37%
Currently employed/working	67%	65%	77%	77%

In addition to the samples described above, an independent sample of 215 Entrepreneurs was drawn from the KnowledgePanel, with oversamples to achieve 219 Female Entrepreneurs and 149 Entrepreneurs of Color. All

Entrepreneurs had to be self-employed and/or own their own for-profit business were eligible to participate. Data among these audiences were weighted using a multi-step process that leverages benchmarks from the 2021 March

Supplement of the Current Population Survey (CPS) and eligibility requirements to (i.e., the study's screener data) to create the final weighting targets.



Contacts

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Morgan Stanley engaged Ipsos, an independent third-party Firm to host a secure online survey. All responses were combined with those of other participants who complete this survey. Ipsos shared the aggregate responses with Morgan Stanley. This material has been prepared for (informational) purposes only. It 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. Morgan Stanley Smith Barney LLC ("Morgan Stanley") recommends that investors independently evaluate particular investments and strategies and encourages investors to seek the advice of a Morgan Stanley Financial Advisor. The appropriateness of a particular investment or strategy will depend on an investor's individual circumstances and objectives. Morgan Stanley Smith Barney LLC is not implying an affiliation, sponsorship, endorsement with/of the third party or that any monitoring is being done by Morgan Stanley Smith Barney LLC ("Morgan Stanley") of any information contained within the website. Morgan Stanley is not responsible for the information contained on the third-party website or the use of or inability to use such site. Nor do we guarantee their accuracy or completeness.

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