



# April 2022

## Managing Portfolios in an Inflationary World

CUSTOM SOLUTIONS | GLOBAL BALANCED RISK CONTROL TEAM | PATH | 1 APRIL 2022

Equities rallied in the final two weeks of March, with developed market equities recouping part of their YTD losses. The S&P 500 (USD) ended the month up 3.7%<sup>1</sup>, the MSCI Europe (EUR) returning 1.0%<sup>1</sup> and the MSCI Japan (JPY) up 5.0%<sup>1</sup>, whilst the MSCI Emerging Markets (USD) fell -2.2%<sup>1</sup>. Oil prices continued to crank higher due to the Russia-Ukraine war, with the benchmark WTI at one point reaching \$123bbl<sup>2</sup>, before pulling back to \$100bbl<sup>1</sup> by month end, as China's lockdowns dampened demand. The VIX came down significantly from 36.5<sup>3</sup>, finishing March at 20.6<sup>1</sup>. Bonds sold off, with the US 10-year Treasury yield jumping to 2.3%<sup>1</sup> by March end.



**ANDREW HARMSTONE**  
*Managing Director,  
Lead Global Portfolio Manager,  
Global Balanced Risk Control  
Team*



**MANFRED HUI**  
*Managing Director,  
Co-Lead Global Portfolio  
Manager, Global Balanced  
Risk Control Team*

### Is the rally a short-term reversal?

This year's sell-off appears to have been driven by sentiment, not an earnings recession. Commodity-exporting countries are showing the most value, though most equities no longer appear expensive,<sup>4</sup> with the US the exception. Earnings are still expected to grow around 9% over the next 12 months<sup>5</sup>.

The index performance is provided for illustrative purposes only and is not meant to depict the performance of a specific investment. **Past performance is no guarantee of future results.** See Disclosure section for index definitions.

<sup>1</sup> Bloomberg, 31 March 2022.

<sup>2</sup> Bloomberg, WTI – Crude oil spot price, 8 March 2022.

<sup>3</sup> Bloomberg, 7 March 2022.

<sup>4</sup> Many equities are trading at or below their 10-year median valuations. Source: Datastream, IBES, MSIM. 25 March 2022 based on the 18m forward PE vs 10-Year Median reflecting a discount of MSCI Brazil -26.4%, -21.8% MSCI China, -15.2% FTSE 100, TOPIX -10.9%, MSCI EM Asia USD -6.8%, Eurostoxx 600 -6.1%.

<sup>5</sup> Source: Datastream, IBES, MSIM. 23 March 2022. 12m forward EPS growth expectations for MSCI EM 9.4% and MSCI World 8.7%.

However, the risk is markets take another leg lower and 2022 growth expectations get downgraded. Moreover, the major macro themes reinforce two outcomes: higher inflation and weaker growth. Both the war in Ukraine and China's renewed lockdowns put upside pressure on inflation and downward pressure on growth, as well as exacerbating supply chain disruptions, particularly for commodities from Russia.

### **The Fed hikes and signals aggressive tightening to come**

Central bank policy is also being watched closely. As US inflation accelerated to a 40-year high of 7.9%<sup>6</sup> in February, March's FOMC meeting brought the first rate hike since 2018. Chairman Powell signaled aggressive tightening, citing a potential 50bps hike in May. He indicated that the economy should be able to withstand the pace, as should the labour market which is "tight to an unhealthy level"<sup>7</sup> - another acknowledgement the Fed may be behind the curve. The Fed Funds futures are reflecting market and Fed alignment, with 7-8 rate hikes in 2022 and 4 in 2023.

### **Investment Implications**

We maintain low equity exposure, reflecting our defensive positioning. In addition to the broad commodities for portfolios which permit, we have included further inflation hedges and initiated downside growth hedges, such as gold and have lengthened duration.

### **US 10-Year breakeven**

We have added an overweight to US 10-Year breakevens, to hedge against protracted inflation in 2022 and de-anchoring of US inflation expectations. Despite already lofty valuations, the recent commodity price spike further contributes to high core inflation. We have added to US rather than European inflation, as we believe US inflation is more structural than in Europe, where only some of the main components have been impacted (food and energy). In contrast, the US is experiencing more broad-based inflation, with wage increases also reinforcing the dynamics.

### **Energy**

We added to our energy overweight, which should continue to benefit from higher equilibrium energy prices.

<sup>6</sup> U.S Bureau of Labor Statistics, Economic News Release, Consumer Price Index Summary – February 2022, released 10 March 2022. Headline CPI, Year-on-year (YoY) figure is before seasonal adjustment. [www.bls.gov/news.release/pdf/cpi.pdf](http://www.bls.gov/news.release/pdf/cpi.pdf)

<sup>7</sup> Transcript of Chair Powell's Press Conference, 16 March 2022.

[www.federalreserve.gov/mediacenter/files/FOMCpresconf20220316.pdf](http://www.federalreserve.gov/mediacenter/files/FOMCpresconf20220316.pdf)

## **Gold**

For portfolios which permit, we initiated an overweight to gold, as a diversifier of geopolitical risks, particularly in the face of global growth fears. Sanctions on Russia have reinforced gold's role as the currency of last resort. Compared to other commodities, gold is still attractively valued.

## **Duration**

We moved from underweight to neutral duration. Long-end yields will likely remain capped, as the growth outlook deteriorates, due to the commodity supply shock. Central banks, led by the Fed, should continue to hike into slowing growth to keep inflation in check, leaving front-end rates to trade with an upside bias.

## **Eurozone equities, financials and UK equities**

We reduced exposure to eurozone equities, given stronger links to Russia, relative to the US and rising risk of recession in Europe. We reflected this through reducing European banks, expressed in some portfolios through a removal of global financials. We added an overweight to UK equities, to gain exposure to UK banks, as well as materials, energy and consumer staples. This is not only a defensive play, but also an inflation hedge due to high commodities exposure, relative to Europe.

## **Chinese internet**

We removed our position in Chinese internet stocks, due to heightened global volatility from the Russia-Ukraine conflict, the potential increase in US-China tensions and renewed lockdowns in China. Although attractive in the longer-term, near term they are likely to remain under pressure from negative sentiment.

## Tactical positioning

We have provided our tactical views below:

Asset Class	--	-	=	+	++
<b>Equity</b>					
US			█		
US Energy					█
US Value				█	
Eurozone			█		
UK					█
European Energy				█	
Japan			█		
Asia ex Japan			█		
China Internet			█		
Emerging Markets			█		
Global Growth		█			
Global Infrastructure			█		
Global Property			█		

Asset Class	--	-	=	+	++
<b>Fixed Income</b>					
IG Credit		█			
US High Yield			█		
European High Yield				█	
EM Sovereign Debt HC			█		
EM Sovereign Debt LC			█		
US Treasuries			█		
US Inflation				█	
German Bunds			█		
EU Peripheral Bonds			█		
JGBs			█		
<b>Commodities</b>					
Broad Commodities				█	
Gold				█	
<b>Currencies</b>					
Euro		█			

Source: MSIM GBaR team, as of 31 March 2022. For informational purposes and does not constitute an offer or a recommendation to buy or sell any particular security or to adopt any specific investment strategy. The tactical views expressed above are a broad reflection of our team’s views and implementations, expressed for client communication purposes. The information herein does not contend to address the financial objectives, situation, or specific needs of any individual investor.

## RISK CONSIDERATIONS

There is no assurance that the Strategy will achieve its investment objective. Portfolios are subject to market risk, which is the possibility that the market values of securities owned by the portfolio will decline and that the value of portfolio shares may therefore be less than what you paid for them. Market values can change daily due to economic and other events (e.g. natural disasters, health crises, terrorism, conflicts and social unrest) that affect markets, countries, companies or governments. It is difficult to predict the timing, duration, and potential adverse effects (e.g. portfolio liquidity) of events. Accordingly, you can lose money investing in this portfolio. Please be aware that this strategy may be subject to certain additional risks. There is the risk that the Adviser’s **asset allocation methodology and assumptions** regarding the Underlying Portfolios may be incorrect in light of actual market conditions and the Portfolio may not achieve its investment objective. Share prices also tend to be volatile and there is a significant possibility of loss. The portfolio’s investments in **commodity-linked notes** involve substantial risks, including risk of loss of a significant portion of their principal

value. In addition to commodity risk, they may be subject to additional special risks, such as risk of loss of interest and principal, lack of secondary market and risk of greater volatility, that do not affect traditional equity and debt securities. **Currency fluctuations** could erase investment gains or add to investment losses. **Fixed-income securities** are subject to the ability of an issuer to make timely principal and interest payments (credit risk), changes in interest rates (interest-rate risk), the creditworthiness of the issuer and general market liquidity (market risk). In a rising interest-rate environment, bond prices may fall and may result in periods of volatility and increased portfolio redemptions. In a declining interest-rate environment, the portfolio may generate less income. **Longer-term securities** may be more sensitive to interest rate changes. **Equity and foreign securities** are generally more volatile than fixed income securities and are subject to currency, political, economic and market risks. Equity values fluctuate in response to activities specific to a company. Stocks of **small-capitalization companies** carry special risks, such as limited product lines, markets and financial resources, and greater market volatility than securities of larger, more established companies. The risks of investing in **emerging market** countries are greater than risks associated with investments in foreign developed markets. **Exchange traded funds (ETFs)** shares have many of the same risks as direct investments in common stocks or bonds and their market value will fluctuate as the value of the underlying index does. By investing in exchange traded funds ETFs and other **Investment Funds**, the portfolio absorbs both its own expenses and those of the ETFs and Investment Funds it invests in. Supply and demand for ETFs and Investment Funds may not be correlated to that of the underlying securities. **Derivative instruments** can be illiquid, may disproportionately increase losses and may have a potentially large negative impact on the portfolio's performance. A **currency forward** is a hedging tool that does not involve any upfront payment. The use of **leverage** may increase volatility in the Portfolio.

## INDEX DEFINITIONS

The indexes shown in this report are not meant to depict the performance of any specific investment, and the indexes shown do not include any expenses, fees or sales charges, which would lower performance. The indexes shown are unmanaged and should not be considered an investment. It is not possible to invest directly in an index.

**Consumer Price Index:** The Consumer Price Index (CPI) is a measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food and medical care. The CPI is calculated by taking price changes for each item in the predetermined basket of goods and averaging them; the goods are weighted according to their importance. Changes in CPI are used to assess price changes associated with the cost of living.

**Euro STOXX 600 Index:** Derived from the STOXX Europe Total Market Index (TMI) and is a subset of the STOXX Global 1800 Index. With a fixed number of 600 components, the STOXX Europe 600 Index represents large-, mid- and small-capitalization companies across 18 countries of the European region.

**Federal Open Market Committee (FOMC) dot plot:** Shows projections for the federal funds rate,

published quarterly and based each of the 12 members of the FOMC's forecast for interest rates.

**FTSE 100:** Financial Times Stock Exchange 100 Index represents the top 100 companies by market-cap listed on the London Stock Exchange.

**MSCI All-Country World Index:** The Morgan Stanley Capital International (MSCI) All Country World Index (ACWI) is a free float-adjusted market capitalisation index that is designed to measure equity market performance in the global developed and emerging markets.

**MSCI Brazil Index** is designed to measure the performance of the large and mid cap segments of the Brazilian market. With 49 constituents, the index covers about 85% of the Brazilian equity universe.

**MSCI China Index:** This free-float adjusted capitalization-weighted index is designed to measure the performance of China-based equities.

**MSCI Europe Index:** The MSCI Europe Index captures large and mid-cap representation across 15 Developed Markets (DM) countries in Europe.

**MSCI Emerging Markets Index:** The MSCI Emerging Markets Index (MSCI EM) is a free float-adjusted market capitalization weighted index that is designed to measure equity market performance of emerging markets.

**MSCI Emerging Markets Asia Index:** This free-float adjusted capitalization-weighted index is designed to measure the performance of emerging market equities in Asia.

**MSCI Japan Index:** The MSCI Japan Index is designed to measure the performance of the large and mid-cap segments of the Japanese market.

**MSCI World Index:** This index captures large-cap and mid-cap representation across 23 developed market countries. With 1,653 constituents, it accounts for about 85% of the free-float-adjusted market capitalization in each country.

**S&P 500 Index:** The Standard & Poor's (S&P) 500 Index tracks the performance of 500 widely held, large-capitalization US stocks.

**TOPIX:** Tokyo Stock Price Index in Japan is a free-float-adjusted index tracks all domestic companies of the exchange's First Section which represents Japan's largest companies by market cap.

**VIX®:** This is a trademarked ticker symbol for the Chicago Board Options Exchange Market Volatility Index, a popular measure of the implied volatility of S&P 500 Index options. Often referred to as the fear index or the fear gauge, it represents one measure of the market's expectation of stock market volatility over the next 30-day period.

**West Texas Intermediate (WTI),** also known as Texas light sweet, is a grade of crude oil used as a benchmark in oil pricing. It is the underlying commodity of Chicago Mercantile Exchange's oil futures contracts.

## DISCLOSURES

There is no guarantee that any investment strategy will work under all market conditions, and each investor should evaluate their ability to invest for the long-term, especially during periods of downturn in the market.

**A separately managed account may not be appropriate for all investors. Separate accounts managed according to the particular Strategy may include securities that may not necessarily track the performance of a particular index. A minimum asset level is required.**

**For important information about the investment managers, please refer to Form ADV Part 2.**

The views and opinions and/or analysis expressed are those of the author or the investment team as of the date of preparation of this material and are subject to change at any time without notice due to

market or economic conditions and may not necessarily come to pass. Furthermore, the views will not be updated or otherwise revised to reflect information that subsequently becomes available or circumstances existing, or changes occurring, after the date of publication. The views expressed do not reflect the opinions of all investment personnel at Morgan Stanley Investment Management (MSIM) and its subsidiaries and affiliates (collectively "the Firm"), and may not be reflected in all the strategies and products that the Firm offers.

Forecasts and/or estimates provided herein are subject to change and may not actually come to pass. Information regarding expected market returns and market outlooks is based on the research, analysis and opinions of the authors or the investment team. These conclusions are speculative in nature, may not come to pass and are not intended to predict the future performance of any specific strategy or product the Firm offers. Future results may differ significantly depending on factors such as changes in securities or financial markets or general economic conditions.

This material has been prepared on the basis of publicly available information, internally developed data and other third-party sources believed to be reliable. However, no assurances are provided regarding the reliability of such information and the Firm has not sought to independently verify information taken from public and third-party sources.

This material is a general communication, which is not impartial and all information provided has been prepared solely for informational and educational purposes and does not constitute an offer or a recommendation to buy or sell any particular security or to adopt any specific investment strategy. The information herein has not been based on a consideration of any individual investor circumstances and is not investment advice, nor should it be construed in any way as tax, accounting, legal or regulatory advice. To that end, investors should seek independent legal and financial advice, including advice as to tax consequences, before making any investment decision.

**Past performance is no guarantee of future results.** Charts and graphs provided herein are for illustrative purposes only.

The indexes are unmanaged and do not include any expenses, fees or sales charges. It is not possible to invest directly in an index. Any index referred to herein is the intellectual property (including registered trademarks) of the applicable licensor. Any product based on an index is in no way sponsored, endorsed, sold or promoted by the

applicable licensor and it shall not have any liability with respect thereto.

This material is not a product of Morgan Stanley's Research Department and should not be regarded as a research material or a recommendation.

The Firm has not authorised financial intermediaries to use and to distribute this material, unless such use and distribution is made in accordance with applicable law and regulation. Additionally, financial intermediaries are required to satisfy themselves that the information in this material is appropriate for any person to whom they provide this material in view of that person's circumstances and purpose. The Firm shall not be liable for, and accepts no liability for, the use or misuse of this material by any such financial intermediary.

This material may be translated into other languages. Where such a translation is made this English version remains definitive. If there are any discrepancies between the English version and any version of this material in another language, the English version shall prevail.

The whole or any part of this material may not be directly or indirectly reproduced, copied, modified, used to create a derivative work, performed, displayed, published, posted, licensed, framed, distributed or transmitted or any of its contents disclosed to third parties without the Firm's express written consent. This material may not be linked to unless such hyperlink is for personal and non-commercial use. All information contained herein is proprietary and is protected under copyright and other applicable law.

## DISTRIBUTION

**This material is only intended for and will only be distributed to persons resident in jurisdictions where such distribution or availability would not be contrary to local laws or regulations.**

**MSIM, the asset management division of Morgan Stanley (NYSE: MS), and its affiliates have arrangements in place to market each other's products and services. Each MSIM affiliate is regulated as appropriate in the jurisdiction it operates. MSIM's affiliates are: Eaton Vance Management (International) Limited, Eaton Vance Advisers International Ltd, Calvert Research and Management, Eaton Vance Management, Parametric Portfolio Associates LLC, and Atlanta Capital Management LLC.**

This material has been issued by any one or more of the following entities:

### EMEA:

This material is for Professional Clients/Accredited Investors only.

In the EU, MSIM and Eaton Vance materials are issued by MSIM Fund Management (Ireland) Limited ("FMIL"). FMIL is regulated by the Central Bank of Ireland and is incorporated in Ireland as a private company limited by shares with company registration number 616661 and has its registered address at The Observatory, 7-11 Sir John Rogerson's Quay, Dublin 2, D02 VC42, Ireland.

Outside the EU, MSIM materials are issued by Morgan Stanley Investment Management Limited (MSIM Ltd) is authorised and regulated by the Financial Conduct Authority. Registered in England. Registered No. 1981121. Registered Office: 25 Cabot Square, Canary Wharf, London E14 4QA.

In Switzerland, MSIM materials are issued by Morgan Stanley & Co. International plc, London (Zurich Branch) Authorised and regulated by the Eidgenössische Finanzmarktaufsicht ("FINMA"). Registered Office: Beethovenstrasse 33, 8002 Zurich, Switzerland.

Outside the US and EU, Eaton Vance materials are issued by Eaton Vance Management (International) Limited ("EVMI") 125 Old Broad Street, London, EC2N 1AR, UK, which is authorised and regulated in the United Kingdom by the Financial Conduct Authority.

**Italy:** MSIM FMIL (Milan Branch), (Sede Secondaria di Milano) Palazzo Serbelloni Corso Venezia, 16 20121 Milano, Italy. **The Netherlands:** MSIM FMIL (Amsterdam Branch), Rembrandt Tower, 11th Floor Amstelplein 1 1096HA, Netherlands. **France:** MSIM FMIL (Paris Branch), 61 rue de Monceau 75008 Paris, France. **Spain:** MSIM FMIL (Madrid Branch), Calle Serrano 55, 28006, Madrid, Spain.

### MIDDLE EAST

**Dubai:** MSIM Ltd (Representative Office, Unit Precinct 3-7th Floor-Unit 701 and 702, Level 7, Gate Precinct Building 3, Dubai International Financial Centre, Dubai, 506501, United Arab Emirates. Telephone: +97 (0)14 709 7158).

### U.S.

A separately managed account may not be appropriate for all investors. Separate accounts managed according to the Strategy include a number of securities and will not necessarily track the

performance of any index. Please consider the investment objectives, risks and fees of the Strategy carefully before investing. A minimum asset level is required. For important information about the investment managers, please refer to Form ADV Part 2.

**Please consider the investment objectives, risks, charges and expenses of the funds carefully before investing. The prospectuses contain this and other information about the funds. To obtain a prospectus, please download one at [morganstanley.com/im](https://morganstanley.com/im) or call 1-800-548-7786. Please read the prospectus carefully before investing.**

Morgan Stanley Distribution, Inc. serves as the distributor for Morgan Stanley Funds.

**NOT FDIC INSURED | OFFER NO BANK GUARANTEE | MAY LOSE VALUE | NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY | NOT A BANK DEPOSIT**

**Hong Kong:** This material is disseminated by Morgan Stanley Asia Limited for use in Hong Kong and shall only be made available to “professional investors” as defined under the Securities and Futures Ordinance of Hong Kong (Cap 571). The contents of this material have not been reviewed nor approved by any regulatory authority including the Securities and Futures Commission in Hong Kong. Accordingly, save where an exemption is available under the relevant law, this material shall not be issued, circulated, distributed, directed at, or made available to, the public in Hong Kong.

**Singapore:** This material is disseminated by Morgan Stanley Investment Management Company and should not be considered to be the subject of an invitation for subscription or purchase, whether directly or indirectly, to the public or any member of the public in Singapore other than (i) to an institutional investor under section 304 of the Securities and Futures Act, Chapter 289 of Singapore (“SFA”); (ii) to a “relevant person” (which includes an accredited investor) pursuant to section 305 of the SFA, and such distribution is in accordance with the conditions specified in section 305 of the SFA; or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA. This publication has not been reviewed by the Monetary Authority of Singapore.

**Australia:** This material is disseminated in Australia by Morgan Stanley Investment Management (Australia) Pty Limited ACN: 122040037, AFSL No. 314182, which accept responsibility for its contents. This publication, and any access to it, is intended only for “wholesale clients” within the meaning of the Australian Corporations Act. Calvert Research and Management, ARBN 635 157 434 is regulated by

the U.S. Securities and Exchange Commission under U.S. laws which differ from Australian laws. Calvert Research and Management is exempt from the requirement to hold an Australian financial services licence in accordance with class order 03/1100 in respect of the provision of financial services to wholesale clients in Australia.

**Taiwan:** This material is provided for information purposes only and does not constitute a solicitation where such a solicitation is unlawful. The products mentioned herein this material may or may not have been registered with the Securities and Futures Bureau of the Financial Supervisory Commission in Taiwan, Republic of China (“ROC”) pursuant to relevant securities laws and regulations. Such products may only be made available in the ROC if they are (a) registered for public sale in the ROC or (b) availed on a private placement basis to specified financial institutions and other entities and individuals meeting specific criteria pursuant to the private placement provisions of the ROC Rules Governing Offshore Funds.

**Korea:** This material is not, and under no circumstances is to be construed as an offering of securities in Korea. No representation is being made with respect to the eligibility of any recipients of this material under the laws of Korea, including but without limitation, the Foreign Exchange Transaction Law and Regulations thereunder. The Fund’s mentioned herein this material may or may not have been registered with the Financial Services Commission of Korea under the Financial Investment Services and Capital Markets Act and may not be offered directly or indirectly, in Korea or to any resident of Korea except pursuant to applicable laws and regulations of Korea.

**Japan:**

For professional investors, this material is circulated or distributed for informational purposes only. For those who are not professional investors, this material is provided in relation to Morgan Stanley Investment Management (Japan) Co., Ltd. (“MSIMJ”)’s business with respect to discretionary investment management agreements (“IMA”) and investment advisory agreements (“IAA”). This is not for the purpose of a recommendation or solicitation of transactions or offers any particular financial instruments. Under an IMA, with respect to management of assets of a client, the client prescribes basic management policies in advance and commissions MSIMJ to make all investment decisions based on an analysis of the value, etc. of the securities, and MSIMJ accepts such commission. The client shall delegate to MSIMJ the authorities necessary for making investment. MSIMJ exercises the delegated authorities based on investment decisions of MSIMJ, and the client shall not make individual instructions. All investment profits and losses belong to the clients; principal is not guaranteed. Please consider the investment objectives and nature of risks before investing. As an investment advisory fee for an IAA or an IMA, the amount of assets subject to the contract multiplied by a certain rate (the upper limit is 2.20% per annum (including tax)) shall be incurred in proportion to the contract period. For some strategies, a contingency

fee may be incurred in addition to the fee mentioned above. Indirect charges also may be incurred, such as brokerage commissions for incorporated securities. Since these charges and expenses are different depending on a contract and other factors, MSIMJ cannot present the rates, upper limits, etc. in advance. All clients should read the Documents Provided Prior to the Conclusion of a Contract carefully before executing an agreement. This material is disseminated in Japan by MSIMJ, Registered No. 410 (Director of Kanto Local Finance Bureau (Financial Instruments Firms)), Membership: the Japan Securities Dealers Association, The Investment Trusts Association, Japan, the Japan Investment Advisers Association and the Type II Financial Instruments Firms Association.

#### **Canada**

FOR USE ONLY WITH "PERMITTED CLIENTS" UNDER CANADIAN LAW. MAY NOT BE USED WITH THE GENERAL PUBLIC. This presentation is communicated in Canada by Morgan Stanley Investment Management Inc. ("MSIM"), which conducts its activities in Canada pursuant to the international adviser exemption from the Canadian adviser registration requirements. This presentation does not constitute an offer to provide investment advisory services in circumstances where the investment adviser exemption is not available. MSIM may only advise separately managed accounts of "Permitted Clients" and may only manage accounts which invest in non-Canadian issuers. "Permitted clients" as defined under Canadian National Instrument 31-103 generally include Canadian financial institutions or individuals with \$5 million (CAD) in financial assets and entities with at least \$25 million (CAD) in net assets. Permitted Clients may only invest in a separately managed account referenced in this presentation by entering into an investment management agreement with MSIM, of which this presentation is not a part. Materials which describe the investment expertise, strategies and/or other aspects of MSIM-managed separately managed accounts may be provided to you upon request for your consideration of the available investment advisory services offered by MSIM. MSIM and certain of its affiliates may serve as the portfolio manager to separately managed accounts described in this presentation and may be entitled to receive fees in connection therewith.

© 2022 Morgan Stanley. All rights reserved.