Global Fixed Income Bulletin

**Just When You Thought It Was Safe to Go Back in the Water…**

Markets grappled with two conflicting forces in January. On the positive side we generally had upbeat economic data, supporting the reflation thesis that buoyed risk markets (credit and equities). On the other hand, we had the coronavirus outbreak in China, the scale of which did not fully become apparent until later in the month, undermining the thesis which had been driving markets. Given the magnitude of the potential risk stemming from the coronavirus outbreak, it was not surprising that downside economic concerns dominated the nascent economic data recovery, at least at first. But, what was remarkable was the subsequent ability of corporate bonds and equities to shrug off the potential economic effect of the crisis. US BBB rated-corporate bond spreads only widened modestly, with yields tracking the drop in U.S. Treasury yields. Even more impressively, euro-denominated BBB rated spreads were essentially unchanged!

This strong performance suggests confidence that the virus outbreak will be contained (certainly no pandemic) and economic data will rebound sharply after the inevitable deterioration in February (and possibly March). Economic risk even in the short term will be concentrated in China and Asia and possibly a few selective (unlucky) emerging countries. Underlying this thesis are two hypotheses: (1) this virus outbreak will behave similarly to previous episodes like SARS in 2002/2003, which did prove to be short lived on all fronts; and (2) the power of easy financial conditions. The second point is easier to accept than the first. A large drop in government bond yields and a move to anticipate/discount two Fed rate cuts no doubt cushioned the impact. The People's Bank of China (PBoC) has also moved quickly to boost liquidity conditions to ensure the smooth functioning of the Chinese financial system. However, be that as it may, the economic outlook for China is very uncertain; global growth will slow; trade will take longer to rebound, and markets have not generally cheapened. Buying the dip is proving problematic given how shallow the dip has been in many asset classes. A cautiously optimistic stance is warranted, but it’s too early to sound the all clear. For now, being modestly bullish on medium term growth; modestly bullish on credit and emerging markets; and modestly bearish on rates seems appropriate.

**DISPLAY 1**

**Asset Performance Year-to-Date**

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>US 10y Treasury</td>
<td>3.2%</td>
</tr>
<tr>
<td>US DMBS</td>
<td>2.5%</td>
</tr>
<tr>
<td>US IG</td>
<td>2.4%</td>
</tr>
<tr>
<td>German 10y Bund</td>
<td>2.1%</td>
</tr>
<tr>
<td>US AGG</td>
<td>1.9%</td>
</tr>
<tr>
<td>Global Convertibles</td>
<td>1.8%</td>
</tr>
<tr>
<td>EM External</td>
<td>1.7%</td>
</tr>
<tr>
<td>Global Agg</td>
<td>1.6%</td>
</tr>
<tr>
<td>EUR IG</td>
<td>1.2%</td>
</tr>
<tr>
<td>Dollar Index</td>
<td>1.0%</td>
</tr>
<tr>
<td>US MBS</td>
<td>0.7%</td>
</tr>
<tr>
<td>S&amp;P Leveraged Loan Index</td>
<td>0.6%</td>
</tr>
<tr>
<td>US TIPS</td>
<td>0.5%</td>
</tr>
<tr>
<td>EUR HY</td>
<td>0.4%</td>
</tr>
<tr>
<td>JPY vs USD</td>
<td>0.3%</td>
</tr>
<tr>
<td>US HY</td>
<td>0.0%</td>
</tr>
<tr>
<td>S&amp;P 500</td>
<td>-0.2%</td>
</tr>
<tr>
<td>EUR vs USD</td>
<td>-1.1%</td>
</tr>
<tr>
<td>EM Local</td>
<td>-1.3%</td>
</tr>
<tr>
<td>MSCI Developed Equities</td>
<td>-2.4%</td>
</tr>
<tr>
<td>Euro Stoxx (Euro)</td>
<td>-2.8%</td>
</tr>
<tr>
<td>MSCI Emerging Equities</td>
<td>-4.7%</td>
</tr>
<tr>
<td>Oil</td>
<td>-15.6%</td>
</tr>
</tbody>
</table>

Note: USD-based performance. Source: Bloomberg. Data as of January 31, 2020. The indexes are provided for illustrative purposes only and are not meant to depict the performance of a specific investment. Past performance is no guarantee of future results. See pages 6 and 7 for index definitions.

---

1 Source: Bloomberg Barclays. Data as of January 31, 2020

The views and opinions expressed are those of the Portfolio Management team as of February 2020 and are subject to change based on market, economic and other conditions. Past performance is not indicative of future results.
The views and opinions expressed are those of the Portfolio Management team as of February 2020 and are subject to change based on market, economic and other conditions. Past performance is not indicative of future results.
Another year, another risk to the business cycle. It seems every year at least one new challenge arises that could derail this elongated business cycle. And each year the world escapes. Last year it was a trade war and lagged effects of U.S. monetary tightening. This year’s challenge: Somewhat surprisingly, the financial market’s dalliance with the R word (recession) proved fairly short lived, that is outside of China, Singapore, Thailand, commodity markets, and maybe Korea. It is possible that the outsized move in commodity prices relative to the move in non-Asian financial markets is not a global recession forecast but simply reflects the importance of Chinese demand.

Indeed, outside of developed country government bonds, commodity prices, and a few Asian equity markets you would be hard-pressed to believe a globally impactful medical catastrophe was unfolding in China. What gives? This strong relative performance suggests confidence that the virus outbreak will be contained and economic data will rebound sharply after the inevitable deterioration in February (which may also extend into March). Economic risks, even in the short term, will be concentrated in China and Asia and possibly a few select emerging countries. Underlying this thesis is two hypotheses: (1) the virus outbreak will behave similarly to previous episodes like SARS in 2002/2003 which proved to be short lived on all fronts; and (2) the power of easy financial conditions. The second point is easier to accept than the first. A large drop in government bond yields and a move to anticipate/discount two Fed rate cuts no doubt cushioned the impact, and the PBoC has moved quickly to boost liquidity conditions to ensure the smooth functioning of the Chinese financial system. The fact that the Fed had been cutting rates and has suggested in its communications that rate cuts were more likely than rate hikes built confidence that if data did deteriorate the Fed would react. Ironically, by communicating this, the market’s moves may obviate the Fed’s need to actually move. Regardless, a lot of uncertainty remains.

After their powerful rallies at the end of last year, bond and equity markets were ripe for a correction, making them vulnerable to bad news. The fact that the sell-off (or rally in government bonds) was relatively contained was impressive, although we must not forget that the crisis is not over in China or for the rest of the world. While there are signs that the virus is spreading at reduced rates, we do not know enough about its characteristics to be overly confident that the end is near. Given where valuations were at the beginning of the year, and the lagged improvement in real and sentiment data, the ability of the market to dismiss the event as a short term hiccup implies a strong belief in the global economy’s likely reversion to its pre-virus trajectory, which was not all that great to begin with. It is a small leap of faith that the nascent recovery we were seeing will not be derailed significantly due to the coronavirus outbreak. While the most likely outcome is one of renewed economic vigor (strongly supported by easier financial conditions), this type of aggregate demand and supply shock may have surprising implications for future economic and financial market performance. In other words, do not be surprised by surprises over the next few weeks and months. Let’s hope for the best.

Be that as it may, the economic outlook for China is very uncertain; global growth will slow; global trade will be slower to rebound, and markets have generally not cheapened. Buying the dip is problematic if there is not much of a dip to buy! Therefore we are not recommending any significant changes to our strategy. Medium term, meaning a horizon of at least one year, we are modestly bullish on the economy, modestly negative on rates, selectively negative on the dollar but not bullish on most G7 currencies and modestly positive but selective on credit and emerging markets. Per usual, our strategy continues to emphasize skepticism that the market can predict the future and we are willing to fade dramatic moves one way or the other in current market conditions. It’s too early to sound the all clear.
MONTHLY REVIEW

Developed Markets

Developed market sovereign bond yields rallied across the board in January as risk assets underperformed and markets shifted to a “risk off” sentiment. Geopolitical risks, such as escalation between the U.S. and Iran as well as the coronavirus outbreak weighed on investors. The yield on the 10 year U.S. Treasury fell 41 basis points over the month to 1.51%, with similar downward movements in Canada, Australia, and New Zealand, while Japan’s 10 year equivalent bond fell by five basis points and 10 year Bunds rallied 25 basis points. 10-year breakeven inflation in the U.S. declined nearly 15 basis points, ending the month at 1.64.²

Emerging Markets

Emerging markets (EM) fixed income asset performance was mixed in the month as investors reduced risk on fears of the potential economic impact of the spreading coronavirus. Despite the positive momentum in the recent global economic data, it is likely to deteriorate going forward given the economic disruption to date. It is therefore not surprising U.S. Treasury yields fell, which aided longer-duration/higher-quality assets, and the U.S. dollar strengthened versus EM currencies. In this environment, within the dollar segment, Investment grade assets outpaced versus EM yields and EM domestic debt posted negative performance as currency weakness outweighed local bond returns. Within dollar-denominated debt, return dispersion was wide and skewed to the positive side with only a handful of countries posting negative returns. This was in contrast to domestic debt, where dispersion was wide but returns were more balanced. According to data from JP Morgan, investors started the year by adding to their EM debt allocations, with hard currency strategies gaining twice the assets of local currency strategies. Growth fears weighed on commodity prices, which were broadly weaker, with the exception of gold.³

OUTLOOK

Global growth and inflation are likely to be stable to slightly higher in 2020. We believe central banks around the world will generally remain on hold, with further accommodation in the developed markets unlikely unless the growth outlook deteriorates significantly. Despite recent positive developments in areas such as Brexit and U.S./China trade negotiations, we believe geopolitical issues remain one of the bigger risks to the global economy, as well as weakness in the manufacturing and trade sectors undermining the consumer. In this context, we expect U.S. Treasury yields to remain below and around 2%. The U.S. election also introduces further uncertainty to the outlook, but not until the second half of 2020. Additionally, the coronavirus has been an unexpected and hard to quantify shock to the global growth outlook.

We remain cautious on EM debt in the near term, as the optimism post-US-China Phase 1 deal has proven short-lived, upstaged by the recent coronavirus outbreak. The true impact of the latter remains to be seen, but it is likely to weigh on Chinese growth in 1Q (estimates of downward growth revisions range from 0.2-0.8 percentage points), with spillovers to commodity exporters in EM as well as countries with trade linkages with China. Therefore, most asset classes whose outperformance was predicated on stronger global growth may continue to be challenged in the near term, most notably EMFX and equities, and also HY credit, with high-quality duration likely outperforming. In the medium term, however, experience from previous outbreaks points to V-shaped economic recoveries, which should limit the downside to risk assets in general. Finally, should growth decelerate more sharply, we expect support from central banks.

² Source: Bloomberg. Data as of January 31, 2020
³ Source: JP Morgan. Data as of January 31, 2020

The views and opinions expressed are those of the Portfolio Management team as of February 2020 and are subject to change based on market, economic and other conditions. Past performance is not indicative of future results.
## Credit

January saw corporate spreads wider in the U.S. and in Europe. The positive key drivers of credit spreads in January were (1) the signing of the US/China "phase one" trade deal (2) Middle East volatility following US/Iran escalation and subsequent de-escalation of risk (3) macro-economic data that continued to improve at the margin (4) corporate reporting that to date has exceeded expectations. However, these factors were overwhelmed by the outbreak of the coronavirus.

Overall credit markets remain orderly despite increased risk sentiment dominated by the coronavirus. Demand remains strong with new issues oversubscribed and trading well on break. While credit spreads widened in the first month of the year, valuations still remain expensive to long run average. Looking forward we expect 2020 to be a year of two halves with credit initially well supported by the improving economic backdrop, reduced political risk and strong demand with no let-up in the need for yield given the excess liquidity in the system.

## Securitized Products

January looked a lot like 2019 overall in securitized markets, with interest rates rallying and credit spreads continuing to tighten further. Credit-oriented securitized assets performed well during the month, while agency MBS underperformed as lower rates increased prepayment concerns. U.S. real estate and consumer credit conditions remain healthy, with historically low unemployment, rising wages and healthy spending rates, and increasing home sales which are being supported by low mortgage rates.

We remain positive on mortgage and securitized sectors in 2020. Agency MBS has cheapened meaningfully over the past two years and now look attractive on a risk-adjusted relative value basis. Securitized credit opportunities also look attractive as fundamental credit conditions remain very positive for residential and consumer lending markets in both the U.S. and Europe.
Risk Considerations

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. Certain U.S. government securities purchased by the strategy, such as those issued by Fannie Mae and Freddie Mac, are not backed by the full faith and credit of the U.S. It is possible that these issuers will not have the funds to meet their payment obligations in the future. Public bank loans are subject to liquidity risk and the credit risks of lower-rated securities. High-yield securities (junk bonds) are lower-rated securities that may have a higher degree of credit and liquidity risk. Sovereign debt securities are subject to default risk. Mortgage- and asset-backed securities are sensitive to early prepayment risk and a higher risk of default, and may be hard to value and difficult to sell (liquidity risk). They are also subject to credit, market and interest rate risks. The currency market is highly volatile. Prices in these markets are influenced by, among other things, changing supply and demand for a particular currency; trade; fiscal, money and domestic or foreign exchange control programs and policies; and changes in domestic and foreign interest rates. Investments in foreign markets entail special risks such as currency, political, economic and market risks. The risks of investing in emerging market countries are greater than the risks generally associated with foreign investments. Derivative instruments may disproportionately increase losses and have a significant impact on performance. They also may be subject to counterparty, liquidity, valuation, correlation and market risks. Restricted and illiquid securities may be more difficult to sell and value than publicly traded securities (liquidity risk). Due to the possibility that prepayments will alter the cash flows on collateralized mortgage obligations (CMOs), it is not possible to determine in advance their final maturity date or average life. In addition, if the collateral securing the CMOs or any third-party guarantees are insufficient to make payments, the portfolio could sustain a loss.

DEFINITIONS

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.

The Bloomberg Barclays Euro Aggregate Corporate Index (Bloomberg Barclays Euro IG Corporate) is an index designed to reflect the performance of the euro-denominated investment-grade corporate bond market.

The Bloomberg Barclays Global Aggregate Corporate Index is the corporate component of the Barclays Global Aggregate Index, which provides a broad-based measure of the global investment-grade fixed income markets.

The Bloomberg Barclays U.S. Corporate Index (Bloomberg Barclays U.S. IG Corp) is a broad-based benchmark that measures the investment-grade, fixed-rate, taxable corporate bond market.

The Bloomberg Barclays U.S. Corporate High Yield Index measures the market of USD-denominated, non-investment grade, fixed-rate, taxable corporate bonds. Securities are classified as high yield if the middle rating of Moody’s, Fitch, and S&P is Ba/BB+/BB+ or below. The index excludes emerging market debt.

The Bloomberg Barclays U.S. Mortgage Backed Securities (MBS) Index tracks agency mortgage-backed pass-through securities (both fixed-rate and hybrid ARM) guaranteed by Ginnie Mae (GNMA), Fannie Mae (FNMA) and Freddie Mac (FHL). The index is constructed by grouping individual, TBA deliverable MBS pools into aggregates or generics based on program, coupon and vintage. Introduced in 1985, the GNMA, FHL and FNMA fixed-rate indexes for 30- and 15-year securities were backdated to January 1976, May 1977 and November 1982, respectively. In April 2007, agency hybrid adjustable-rate mortgage (ARM) pass-through securities were added to the index.

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.

Euro vs. USD—Euro total return versus U.S. dollar.

German 10YR bonds—Germany Benchmark 10-Year Datastream Government Index.


The ICE BofAML European Currency High-Yield Constrained Index (ICE BofAML Euro HY constrained) is designed to track the performance of euro- and British pound sterling-denominated below investment-grade corporate debt publicly issued in the eurobond, sterling.

The ICE BofAML U.S. Mortgage-Backed Securities (ICE BofAML U.S. Mortgage Master) Index tracks the performance of U.S. dollar-denominated, fixed-rate and hybrid residential mortgage pass-through securities publicly issued by U.S. agencies in the U.S. domestic market.

The ICE BofAML U.S. High Yield Master II Constrained Index (ICE BofAML U.S. High Yield) is a market value-weighted index of all domestic and Yankee high-yield bonds, including deferred-interest bonds and payment-in-kind securities. Its securities have maturities of one year or more and a credit rating lower than BBB-/Baa3, but are not in default.

The ISM Manufacturing Index is based on surveys of more than 300 manufacturing firms by the Institute of Supply Management. The ISM Manufacturing Index monitors employment, production inventories, new orders and supplier deliveries. A composite diffusion index is created that monitors conditions in national manufacturing based on the data from these surveys.

Italy 10-Year Government Bonds—Italy Benchmark 10-Year Datastream Government Index.

The JP Morgan CEMBI Broad Diversified Index is a global, liquid corporate emerging markets benchmark that tracks U.S.-denominated corporate bonds issued by emerging markets entities.

The views and opinions expressed are those of the Portfolio Management team as of February 2020 and are subject to change based on market, economic and other conditions. Past performance is not indicative of future results.
The JP Morgan Government Bond Index—Emerging markets (JPM local EM debt) tracks local currency bonds issued by emerging market governments. The index is positioned as the investable benchmark that includes only those countries that are accessible by most of the international investor base (excludes China and India as of September 2013).

The JP Morgan Government Bond Index Emerging Markets (JPM External EM Debt) tracks local currency bonds issued by emerging market governments. The index is positioned as the investable benchmark that includes only those countries that are accessible by most of the international investor base (excludes China and India as of September 2013).

The JP Morgan Emerging Markets Bond Index Global (EMBI Global) tracks total returns for traded external debt instruments in the emerging markets and is an expanded version of the EMBI+. As with the EMBI+, the EMBI Global includes U.S. dollar-denominated Brady bonds, loans and eurobonds with an outstanding face value of at least $500 million.

The JP Morgan GBI-EM Global Diversified Index is a market-capitalization weighted, liquid global benchmark for U.S.-dollar corporate emerging market bonds representing Asia, Latin America, Europe and the Middle East/Africa.

JPY vs. USD—Japanese yen total return versus U.S. dollar.

The National Association of Realtors Home Affordability Index compares the median income to the cost of the median home.

The Nikkei 225 Index (Japan Nikkei 225) is a price-weighted index of Japan’s top 225 blue-chip companies on the Tokyo Stock Exchange.

The MSCI AC Asia ex-Japan Index (MSCI Asia ex-Japan) captures large- and mid-cap representation across two of three developed markets countries (excluding Japan) and eight emerging markets countries in Asia.

MSCI Emerging Markets Index (MSCI emerging equities) captures large- and mid-cap representation across 23 emerging markets (EM) countries.

The MSCI World Index (MSCI developed equities) captures large and mid-cap representation across 23 developed market (DM) countries.

The S&P 500® Index (U.S. S&P 500) measures the performance of the large-cap segment of the U.S. equities market, covering approximately 75 percent of the U.S. equities market. The index includes 500 leading companies in leading industries of the U.S. economy.

The S&P/LSTA U.S. Leveraged Loan 100 Index (S&P/LSTA Leveraged Loan Index) is designed to reflect the performance of the largest facilities in the leveraged loan market.

The S&P GSCI Copper Index (Copper), a sub-index of the S&P GSCI, provides investors with a reliable and publicly available benchmark for investment performance in the copper commodity market.

The S&P GSCI Softs (GSCI soft commodities) Index is a sub-index of the S&P GSCI that measures the performance of only the soft commodities, weighted on a world production basis. In 2012, the S&P GSCI Softs Index included the following commodities: coffee, sugar, cocoa and cotton.

Spain 10-Year Government Bonds—Spain Benchmark 10-Year Datastream Government Index (U.K. 10YR government bonds)—U.K. Benchmark 10-Year Datastream Government Index. For the following Datastream government bond indexes, benchmark indexes are based on single bonds. The bond chosen for each series is the most representative bond available for the given maturity band at each point in time. Benchmarks are selected according to the accepted conventions within each market. Generally, the benchmark bond is the latest issue within the given maturity band, consideration is also given to yield, liquidity, issue size and coupon.

The U.S. Dollar Index (DXY) is an index of the value of the United States dollar relative to a basket of foreign currencies, often referred to as a basket of U.S. trade partners’ currencies.

DISTRIBUTION

This communication 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.


Switzerland: Morgan Stanley & Co. International plc, London, Zurich Branch Authorised and regulated by the Eidgenössische Finanzmarktaufsicht (‘FINMA’). 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 MSIM to make all investment decisions based on an analysis of the value, etc. of the securities, and MSIM accepts such commission. The client shall delegate to MSIM the authorities necessary for making investment. MSIM exercises the delegated authorities based on investment decisions of MSIM, 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 percent 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, MSIM cannot present the rates, upper limits, etc. in advance. All clients should read the Disclosure Document Provided Prior to the Conclusion of a Contract carefully before executing an agreement. This document is disseminated in Japan by MSIM, 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.

U.S. A separately managed account may not be suitable 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 manager, please refer to Form ADV Part 2.

The views and opinions expressed are those of the Portfolio Management team as of February 2020 and are subject to change based on market, economic and other conditions. Past performance is not indicative of future results.
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 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 document has been issued 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 document 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 document shall not be issued, circulated, distributed, directed at, or made available to, the public in Hong Kong.

Singapore: This document 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 publication 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.

IMPORTANT INFORMATION

EMEA: This communication has been issued by Morgan Stanley Investment Management Limited (“MSIM”). Authorised and regulated by the Financial Conduct Authority. Registered in England No. 1981121. Registered Office: 25 Cabot Square, Canary Wharf, London E14 4QA.

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. Prior to investing, investors should carefully review the strategy’s relevant offering document. There are important differences in how the strategy is carried out in each of the investment vehicles. A separately managed account may not be suitable 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.

The views and opinions 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 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 teams at Morgan Stanley Investment Management (MSIM) or the views of the firm as a whole, 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. These conclusions are speculative in nature, may not come to pass and are not intended to predict the future performance of any specific Morgan Stanley Investment Management product.

This communication is not a product of Morgan Stanley’s Research Department and should not be regarded as a research recommendation. The information contained herein has not been prepared in accordance with legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research.

This material is a general communication, which is not impartial and 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. All investments involve risks, including the possible loss of principal. 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.

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.

MSIM has not authorised financial intermediaries to use and to distribute this document, 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 document is suitable for any person to whom they provide this document in view of that person’s circumstances and purpose. MSIM shall not be liable for, and accepts no liability for, the use or misuse of this document by any such financial intermediary.

This document 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 document in another language, the English version shall prevail.

The whole or any part of this work may not be reproduced, copied or transmitted or any of its contents disclosed to third parties without MSIM’s express written consent.

Morgan Stanley Investment Management is the asset management division of Morgan Stanley.

All information contained herein is proprietary and is protected under copyright law.