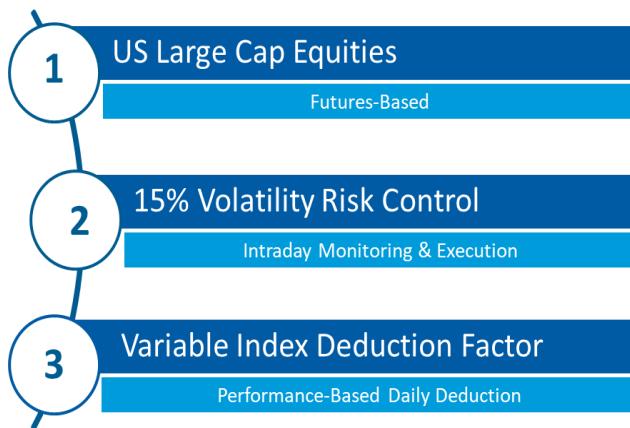


# Morgan Stanley Dynamic US Equities Index

## Index Key Features



### INDEX IDENTIFIER (TICKER):

MSUSMSDE

### WEBSITE:

[morganstanley.com/indices/#/msde](http://morganstanley.com/indices/#/msde)

### INDEX CALCULATION AGENT:

Morgan Stanley & Co. LLC

### INDEX LIVE DATE:

May 31, 2022

### NUMBER OF INDEX COMPONENTS:

1 US Large Cap Equity Futures

### REBALANCE FREQUENCY:

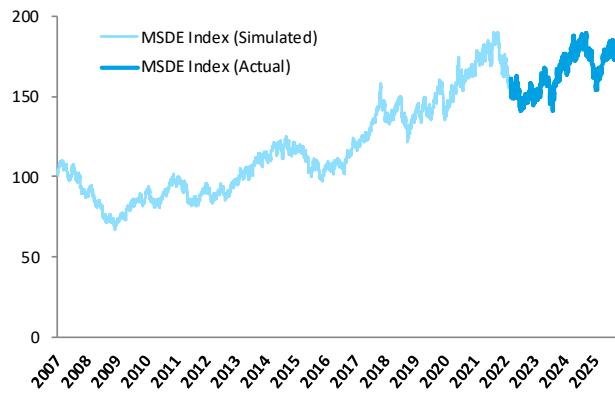
Intraday (up to seven times)

### VOLATILITY TARGET:

15% Annualized

Please see Notes on Simulated Returns, page 3

## Index Performance, Simulated and Actual\*



Source: Morgan Stanley Sales & Trading, Bloomberg.  
Past performance is not an indication of future performance

## Summary Statistics, Simulated and Actual\*

	MSDE Index	S&P 500 Index (Excess Return)	SPMARCS5P Index (Excess Return)
<b>YTD Return</b>	-0.65%	13.02%	10.30%
<b>Return** Since Index Live Date</b>	2.30%	11.51%	3.59%
<b>1-Year Ann. Return</b>	-0.65%	13.02%	10.30%
<b>3-Year Ann. Return</b>	5.64%	17.21%	5.82%
<b>5-Year Ann. Return</b>	0.88%	10.78%	1.54%
<b>10-Year Ann. Return</b>	5.11%	12.32%	4.02%
<b>10-Year Ann. Volatility</b>	15.51%	18.13%	5.07%
<b>10-Year Sharpe Ratio</b>	0.33	0.68	0.79
<b>Correlation to MSDE Index</b>	100%	82%	39%

Source: Morgan Stanley Sales & Trading, Bloomberg.

\* From April 2, 2007 to December 31, 2025.

\*\* Actual Return if less than 1yr since Index Live Date; if not, Annualized Return is used.

The Index Live Date is May 31, 2022. All data prior to Index Live Date is simulated.

Past performance is not an indication of future performance.

## Index Construction

The Morgan Stanley Dynamic US Equities Index (“MSDE Index” or the “Index”) provides exposure to US large cap equities through an intraday 15% volatility target with the introduction of a Variable Index Deduction Factor.



**US Large Cap Equities** – The Index provides exposure to the 500 largest companies in the US as measured by market capitalization through listed futures.



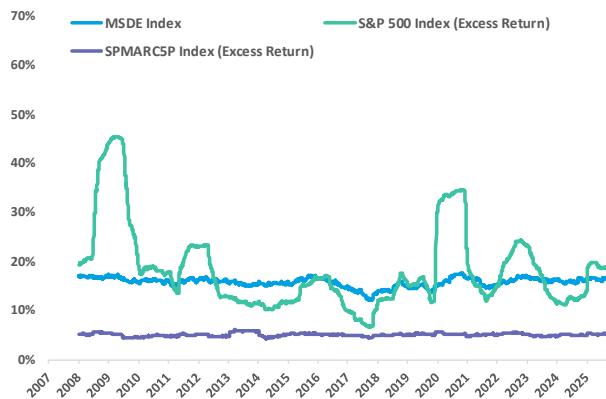
**15% Volatility Risk Control** – The Index targets 15% annualized volatility by adjusting its allocation on an intraday basis. If the Index’s US Large Cap Equities futures holdings experiences significant changes in volatility intraday, the Index will rebalance the allocation in order to bring the holdings volatility back to the target level of volatility.



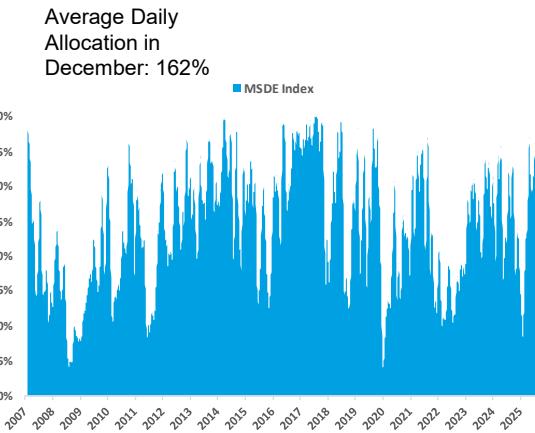
**Variable Index Deduction Factor** – Dynamic fee mechanism built within the Index allows for a larger allocation to non-cash assets and greater participation to upside performance in a cost-controlled manner.

There are risks associated with the Index, including that the performance of the Index is reduced by a Variable Index Deduction Factor that scales upward based on positive recent performance of the Index, up to a maximum of 0.20% per business day. Such index deduction is applied when calculating the level of the Index and is a function of Index performance and will vary based on such performance. In addition, the Index includes transactional and margin costs based on rebalances and exposures of the US Large Cap Equities futures. Please see pages 3 and 4 for further information.

### 1-Year Rolling Volatility\*



### US Large Caps 1M Rolling Allocation\*



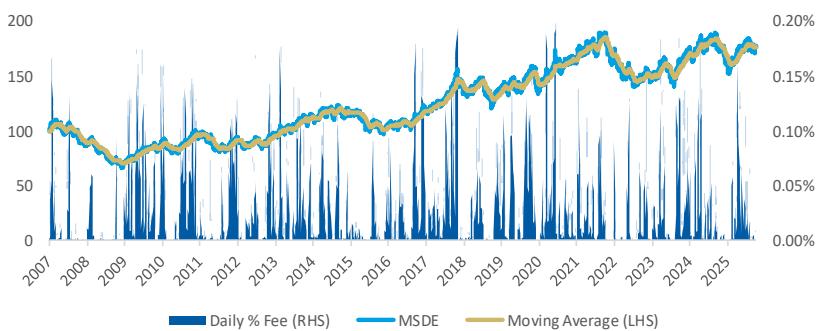
\* Source: Morgan Stanley Sales & Trading, Bloomberg. Data as of December 31, 2025. The Index Live Date is May 31, 2022. All data prior to Index Live Date is simulated. Past performance is not an indication of future performance.

### Allocation Mechanism to Underlying Futures

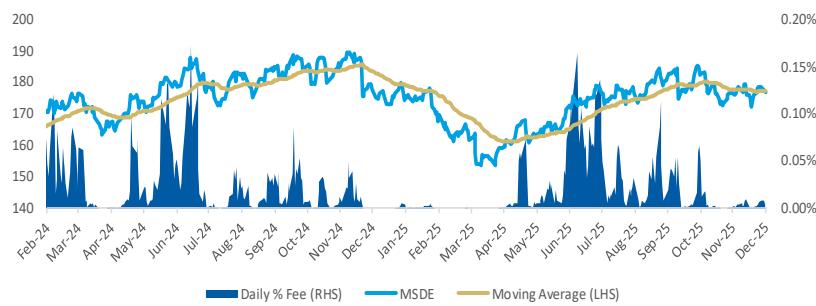
- The Index utilizes an intraday volatility target mechanism that seeks to adapt more quickly to changing market conditions than an end-of-day mechanism; this aims to help stabilize the overall risk of the Index and improve its risk management.
- On each Index business day and hourly observation within such day, the Index calculates the realized volatility of the underlying futures using two rolling volatility estimators.
- The Index uses 10-minute VWAP windows for estimation and execution of the underlying futures, to target 15% volatility.
- Finally, the index utilizes a momentum fee to reduce the daily performance by up to 20bps if the performance of the Index vs. its moving average is strongly positive.

This material is not a solicitation of any offer to buy or sell any security or other financial instrument or to participate in any trading strategy. This material was not prepared by the Morgan Stanley Research Department. Please refer to important information and qualifications at the end of this material. The information contained herein does not constitute advice. Morgan Stanley is not acting as your advisor (municipal, financial, or otherwise) and is not acting in a fiduciary capacity.

## Variable Index Deduction Factor\*



## Variable Index Deduction Factor\* (Last 12 Months)



## Certain Key Risks

- The Index level may decrease due to a number of factors including trends in the market for the underlying component.
- The Index's volatility scaling mechanism makes use of leverage and may result in exposures different from one-for-one to the Underlying Futures Index. This may lead to underperformance in both downward and upward markets.
- The level of the Index reflects a Variable Index Deduction Factor that scales upward based on positive recent performance of the Index, up to a maximum of 0.20% per business day.
- The Index level is adjusted for costs associated with trading futures as well as the deduction of a Variable Index Deduction Factor applied on the Index, both of which will reduce the Index level and the returns of investments linked to the Index.
- The Index has a limited performance history and past performance is not an indication of future performance.

The risks identified above are not exhaustive. Please see the full set of risk factors included in any disclosure materials relating to instruments linked to the Index for additional information.

## How The Variable Index Deduction Factor Works

To determine the Variable Index Deduction Factor for the following day, the Index level is compared to its own recent moving average ('MA'), using a window of approximately one month:

- If the Index is significantly below its MA, the Variable Index Deduction Factor reduces, down to a minimum of 0.00% per day.
- If the Index is equal its MA, the Variable Index Deduction Factor is 0.0036% per day.
- If the Index is significantly above its MA, the Variable Index Deduction Factor increases, up to a maximum of 0.20% per day

Index Level	97.0	100.0	103.0
Moving Average	100.0	100.0	100.0
Next Day's Variable Index Deduction Factor	0.00017%	0.00360%	0.05207%

\* Source: Morgan Stanley Sales & Trading. Data as of December 31, 2025. The Index Live Date is May 31, 2022. All data prior to Index Live Date is simulated. Past performance is not an indication of future performance.

## NOTE ON SIMULATED RETURNS:

Back-testing and other statistical analyses provided herein use simulated analysis and hypothetical circumstances to estimate how the Index may have performed prior to the publication date for the Index. The results obtained from such "back-testing" should not be considered indicative of the actual results that might be obtained from an investment in the Index. The actual performance of the Index may vary significantly from the results obtained from back-testing. Unlike an actual performance record, simulated results are achieved by means of the retroactive application of a back-tested model itself designed with the benefit of hindsight and knowledge of factors that may have possibly affected its performance. Morgan Stanley does not assure or guarantee that any product linked to the Index will operate or would have operated in the past in a manner consistent with these materials. Calculation based on simulated performance is purely hypothetical and may not be an accurate or meaningful comparison. Past performance (actual or simulated) is not indicative of future results.

## Index Monthly Returns\*

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Full Year
2025	-0.11%	-3.05%	-4.38%	-1.69%	2.25%	5.68%	2.23%	0.12%	3.09%	0.46%	-3.15%	-1.61%	-0.65%
2024	-0.21%	5.01%	2.71%	-6.37%	4.25%	3.55%	0.93%	1.58%	1.37%	-3.35%	4.31%	-6.24%	6.86%
2023	4.11%	-1.77%	0.85%	0.74%	-0.74%	7.79%	1.51%	-3.40%	-8.14%	-2.86%	9.76%	4.07%	11.10%
2022	-7.75%	-3.88%	2.90%	-7.47%	0.92%	-6.52%	5.30%	-4.77%	-5.85%	4.67%	2.53%	-2.56%	-21.37%
2021	-2.78%	0.96%	1.91%	4.90%	-0.62%	2.29%	-1.14%	4.48%	-7.76%	8.48%	-0.11%	2.30%	12.66%
2020	-1.39%	-6.02%	-2.05%	5.17%	1.81%	0.37%	2.87%	9.31%	-4.74%	-4.54%	5.71%	3.05%	8.67%
2019	6.75%	2.22%	1.28%	5.15%	-7.63%	7.31%	0.39%	-2.97%	0.74%	1.34%	5.30%	1.76%	22.72%
2018	7.68%	-5.49%	-5.34%	-1.74%	1.21%	0.41%	4.21%	3.90%	0.11%	-8.46%	0.38%	-7.84%	-11.70%
2017	2.19%	6.01%	-1.31%	1.55%	1.15%	0.41%	3.06%	0.11%	2.99%	3.11%	4.76%	0.38%	27.03%
2016	-4.74%	0.15%	5.86%	-1.43%	1.77%	-2.46%	4.92%	-0.23%	-1.30%	-3.13%	4.98%	1.53%	5.41%
2015	-4.69%	6.45%	-3.25%	-0.47%	1.58%	-4.24%	0.15%	-8.06%	-2.20%	7.36%	-0.65%	-2.00%	-10.54%
2014	-5.94%	6.62%	-0.77%	-1.69%	3.51%	2.40%	-3.59%	6.11%	-3.07%	1.55%	3.48%	-4.49%	3.20%
2013	6.11%	0.19%	3.55%	0.73%	3.17%	-2.60%	5.03%	-5.38%	4.52%	4.67%	3.90%	2.48%	28.97%
2012	4.01%	3.92%	2.16%	-2.71%	-6.91%	3.25%	-0.79%	2.63%	2.27%	-3.35%	-0.41%	0.61%	4.12%
2011	1.54%	2.78%	-0.12%	1.62%	-2.70%	-3.82%	-2.29%	-5.69%	-4.38%	5.20%	-2.06%	0.73%	-9.35%
2010	-2.43%	1.06%	7.22%	-0.13%	-5.56%	-4.78%	3.89%	-4.09%	7.52%	2.96%	-0.77%	6.55%	10.73%
2009	-4.13%	-3.58%	3.43%	3.43%	2.86%	-0.76%	6.73%	0.35%	2.74%	-1.39%	3.72%	0.26%	13.90%
2008	-7.94%	-1.65%	-1.54%	3.61%	0.69%	-7.94%	-1.54%	0.53%	-4.65%	-4.98%	-3.00%	1.80%	-24.18%
2007					3.32%	-5.04%	-3.26%	-0.97%	4.31%	0.47%	-4.96%	-0.93%	-7.26%

Source: Morgan Stanley Sales & Trading, Bloomberg.

\* Data based on simulated returns from April 2, 2007 to May 27, 2022 and actual thereafter. Data as of December 31, 2025.

Please see Notes on Simulated Returns.

Past performance is not indicative of future performance.

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