Morgan Stanley

Client Conversations & Primers

When to Invest in Active vs. Passive

Bottom Line: The Case for Active Management Is Strengthening

As of December 2, 2019

- Every April, we revisit the long-term strategic view on our Active Passive quantitative model. Compared to 2018, our conviction in US mid and small cap has reduced slightly; we are observing that small-cap managers' alpha advantage over their large-cap counterparts has decreased.

- Our tactical quantitative framework, which had favored passive throughout 2016, shifted toward active beginning in 2017. More recently, this trend has moderated. Model indicators like rising valuation dispersion, rising earnings estimate dispersion and a flatter yield curve will be key to watch. Year to date, correlations between companies have trended down. This could create a more favorable environment for active management.

- Quantitative Easing and secular stagnation provided a unique set of tailwinds (low volatility, tepid growth, and high correlations) for indexing and passive management that after seven years now appear poised to fade. While trailing performance deficits have driven outflows from active strategy and exacerbated its challenges, we strongly caution investors against assuming that active managers face permanent impairment.

- To the contrary, the GIC believes we are in the early innings of a major regime shift in markets driven by the hand-off from monetary to fiscal policy and from disinflation to inflation. These features strongly favor active managers and security selection, especially with the rising potential for "boom" and "bust" economic scenarios.

- Our due diligence group provides resources and guidance around manager selection. Please reach out to your Financial Advisor for more details.

Source: Morgan Stanley Wealth Management GIC

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Active Passive Advice Over the Strategic Horizon (7 Years)

Active vs. Passive Model Allocations

Annually as of April 2019

PEER GROUP	ALLOCATION BASELINE	STRATEGIC EQUITY RETURN ESTIMATES	MACROECONOMIC VIEW	CURRENT TACTICAL A/P OUTLOOK	STRATEGIC ALLOCATION TO ACTIVE
US Large Cap	40%	+	o	-	45%
US Mid Cap	45%	+	o	-	50%
US Small Cap	50%	+	o	-	55%
Europe Stock	55%	+	+		70%
Japan Stock	60%	+	+		75%
Emerging Markets	50%	+	+		65%
World Stock	50%	+	+		65%

Active vs. Passive Strategic Allocation Changes

Annually as of April 2019

	2019 Strategic Allocation			2018 Strategic Allocation	
	ACTIVE (%)	PASSIVE (%)	CHANGE IN ACTIVE (%)	ACTIVE (%)	PASSIVE (%)
US Large Cap	45%	55%		45%	55%
US Mid Cap	50%	50%	↓	55%	45%
US Small Cap	55%	45%	↓	60%	40%
Europe Stock	70%	30%	↓	75%	25%
Japan Stock	75%	25%		75%	25%
Emerging Markets	65%	35%		65%	35%
World Stock	65%	35%		65%	35%

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Active Passive Advice Over the Tactical Horizon (1 Year)

Active vs. Passive Model Allocations

Monthly as of November 30, 2019

	October End Tactical Allocation			November End Tactical Allocation	
	Active (%)	Passive (%)	CHANGE IN ACTIVE (%)	Active (%)	Passive (%)
Large Core	15%	85%	0%	15%	85%
Large Growth	15%	85%	30%	45%	55%
Large Value	15%	85%	30%	45%	55%
Mid Core	20%	80%	0%	20%	80%
Mid Growth	20%	80%	30%	50%	50%
Mid Value	20%	80%	30%	50%	50%
Small Core	25%	75%	30%	55%	45%
Small Growth	55%	45%	0%	55%	45%
Small Value	25%	75%	30%	55%	45%

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Active Management Has Struggled to Outperform This Cycle; May Be Changing as Cycle Ages

Average Percentage of Active Managers Outperforming Their Benchmarks By Asset Class

Monthly as of November 30, 2019

			% Active Managers Outperform		
Peer Group		Benchmark	Last 20 Years	2010-2018	2019 YTD
US Equities	US Large Growth	Russell 1000 Growth Index	46%	33%	32%
	US Large Value	Russell 1000 Value Index	44%	41%	33%
	US Mid-Cap Growth	Russell Mid Cap Growth Index	45%	37%	31%
	US Mid-Cap Value	Russell Mid Cap Value Index	42%	36%	28%
	US Small Growth	Russell 2000 Growth Index	51%	43%	68%
	US Small Value	Russell 2000 Value Index	51%	48%	33%
International Equities	Europe Stock	MSCI Europe Index	54%	53%	34%
	Japan Stock	MSCI Japan Index	55%	64%	33%
	Emerging Markets	MSCI EM Index	45%	44%	46%
Fixed Income	US Ultrashort Bond	Barclays Govt/Corp 1 Yr Duration Index	50%	64%	28%
	US Short-Term Bond	Barclays US Govt/Credit 1-5 Yr Index	42%	53%	12%
	US Intm-Term Bond	Barclays US Agg Bond Index	44%	52%	27%
	US High Yield Bond	BofAML US HY Master II Index	38%	33%	22%
	US Bank Loans	S&P/LSTA Leveraged Loan Index	35%	33%	11%
	US Intm Muni Bond	S&P National AMT Free Muni Index	39%	37%	20%
	World Bond	Citi WGBI USD Hedged Index	52%	58%	67%
Real Estate	Global Real Estate	S&P Global REIT Index	42%	34%	17%
	US Real Estate	FTSE NAREIT All Equity REITs Index	46%	36%	24%

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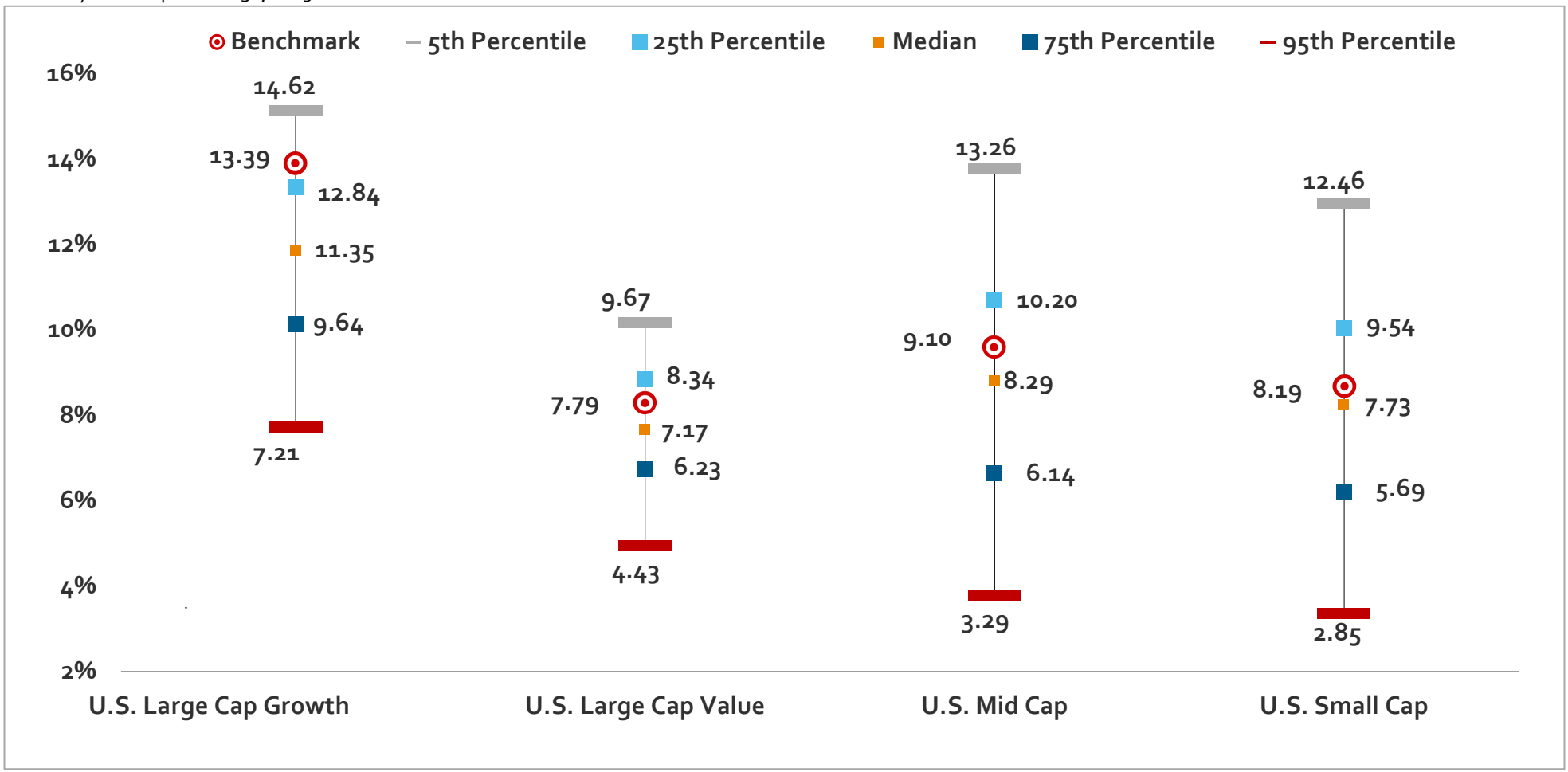
Manager Selection Is Important—Performance Can Exhibit Wide Dispersion

US Equity Mutual Funds: Five-Year Annualized Return[1]

Quarterly as of September 30, 2019



Source: Morgan Stanley & Co., Morgan Stanley Wealth Management GIC, Morningstar. Note: (1) Benchmarks for Large Growth, Large Value, Mid Core and Small Core are Russell 1000 Growth, Russell 1000 Value, Russell Mid Cap and Russell 2000 Index.

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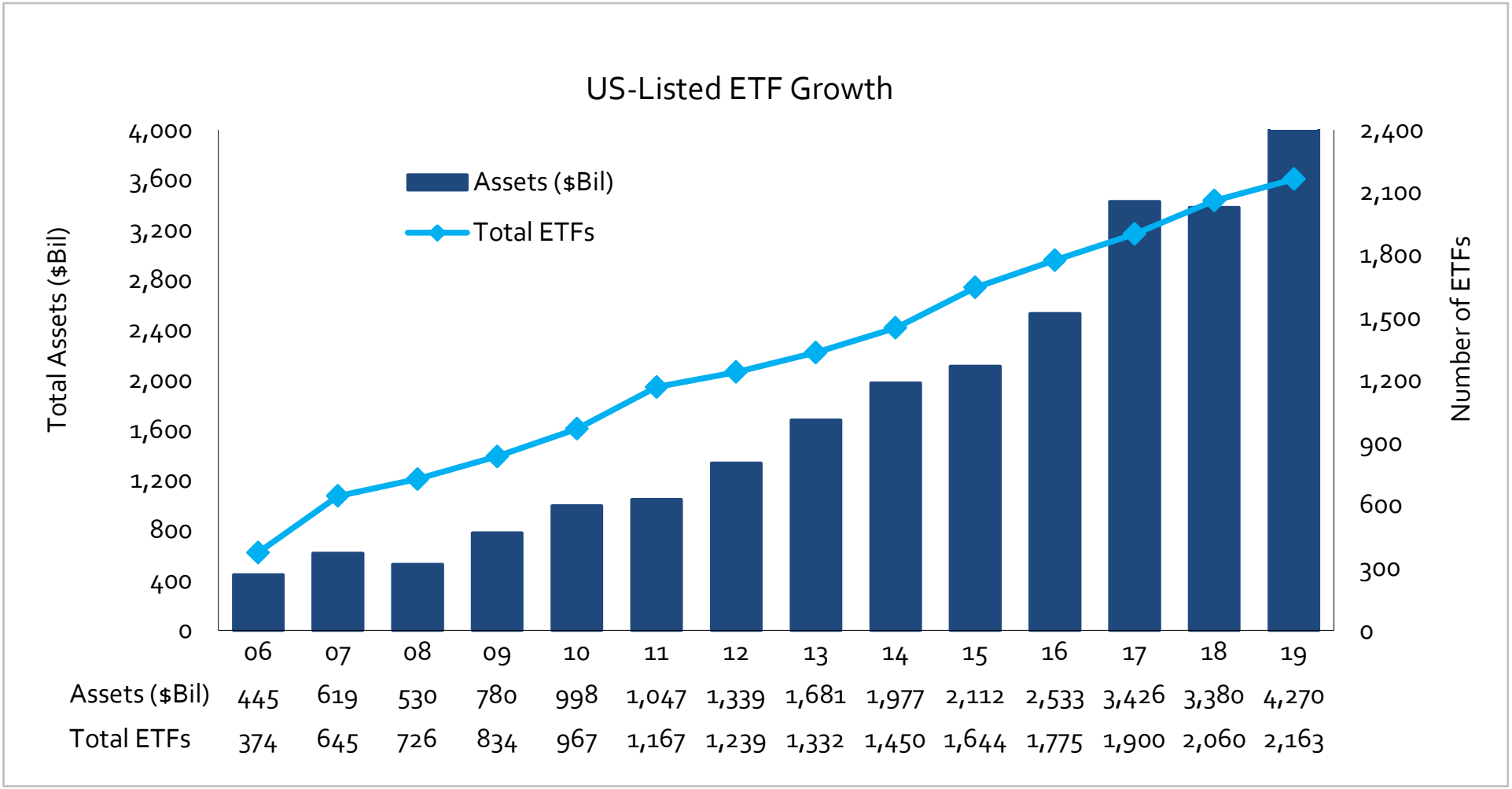
Based on Recent Results, Many Expect Growth in Passive Management to Continue. Can Active Management Recover?

US ETF Assets Under Management

Annual Data as of November 29, 2019



	06	07	08	09	10	11	12	13	14	15	16	17	18	19
Assets ($Bil)	445	619	530	780	998	1,047	1,339	1,681	1,977	2,112	2,533	3,426	3,380	4,270
Total ETFs	374	645	726	834	967	1,167	1,239	1,332	1,450	1,644	1,775	1,900	2,060	2,163

Source: Bloomberg. Data as of 9/23/19.

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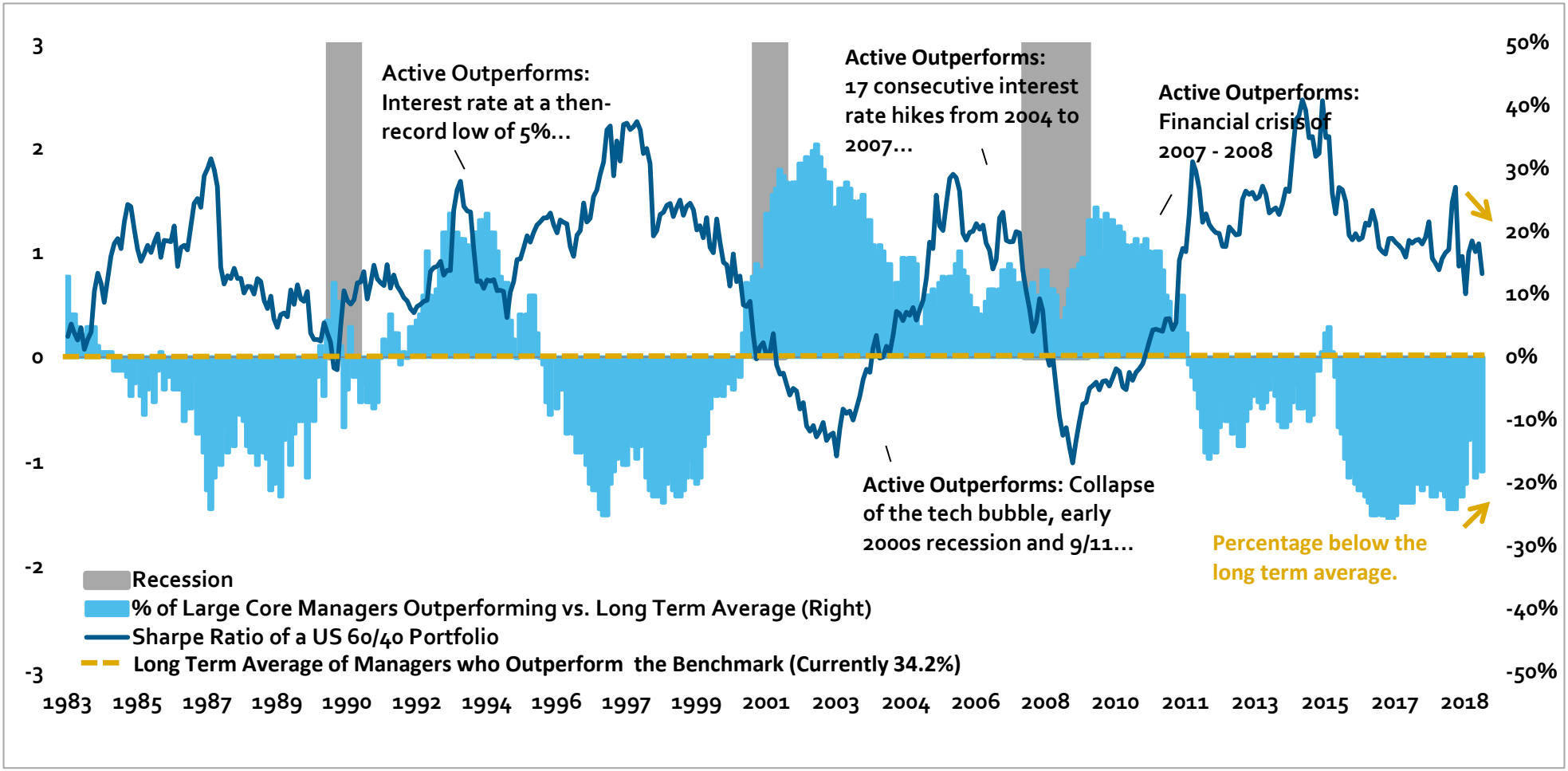
Superior Risk-Adjusted Returns of Passive Benchmarks Are Not Unprecedented—Recall 1983-1988 and 1995-2000

Sharpe Ratio of a 60%/40% Portfolio[1] and Percentage of Large Blend Managers Outperforming vs. Long-term Average

Rolling 3-Year data as of May 31, 2019



Source: Morningstar, Morgan Stanley Wealth Management GIC, Bloomberg, FactSet. 1) Sharpe Ratio of a 60% S&P 500 / 40% Barclays US Aggregate Portfolio. The Sharpe ratio is calculated by subtracting the risk-free rate—such as that of the 3-month US Treasury bill—from the rate of return for a portfolio and dividing the result by the standard deviation of the portfolio returns. Standard deviation (volatility) is a measure of the dispersion of a set of data from its mean.

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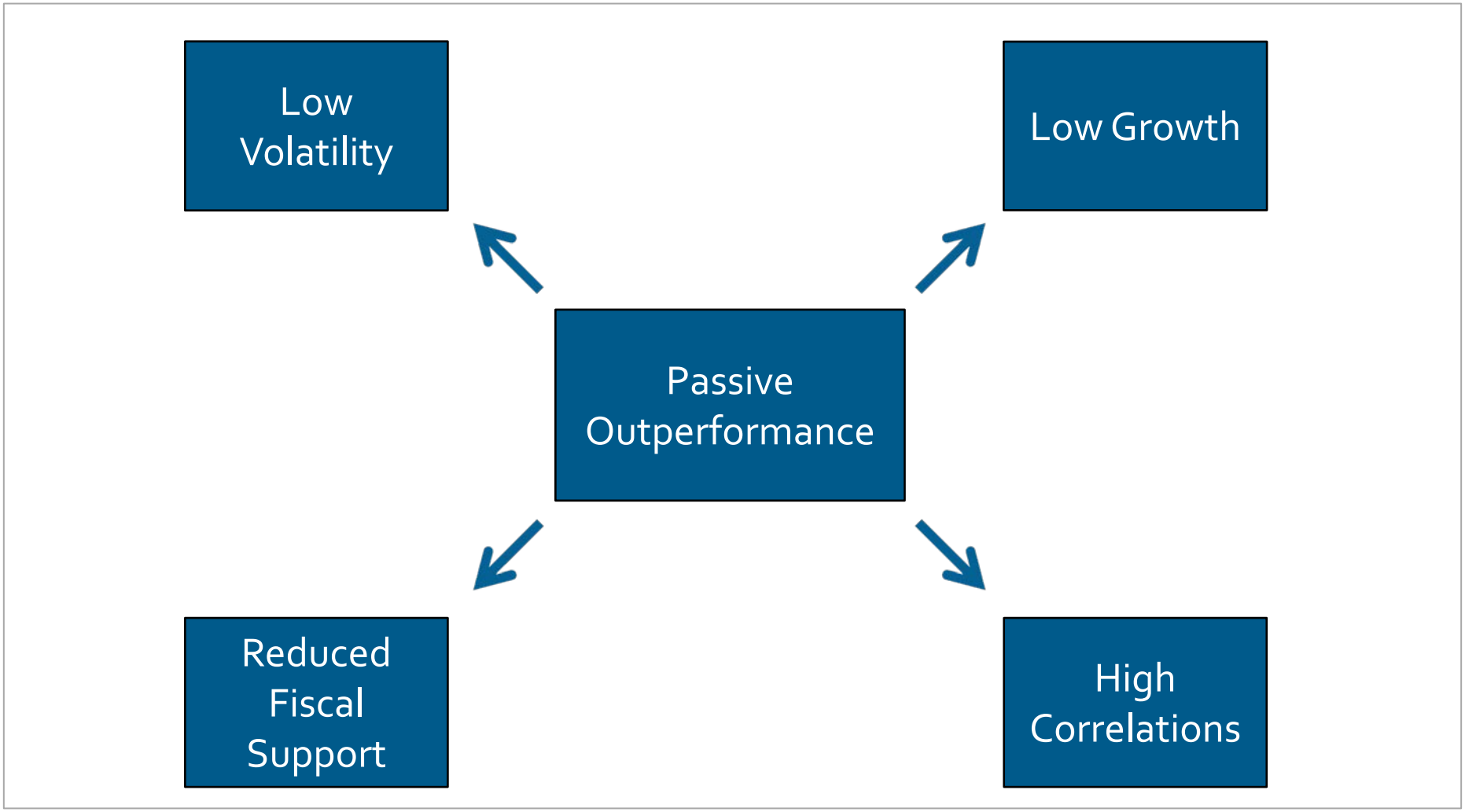
We Believe Active Management Can Recover Because Passive Management Has Benefitted From Tailwinds That May Be Fading



Source: Morgan Stanley Wealth Management GIC

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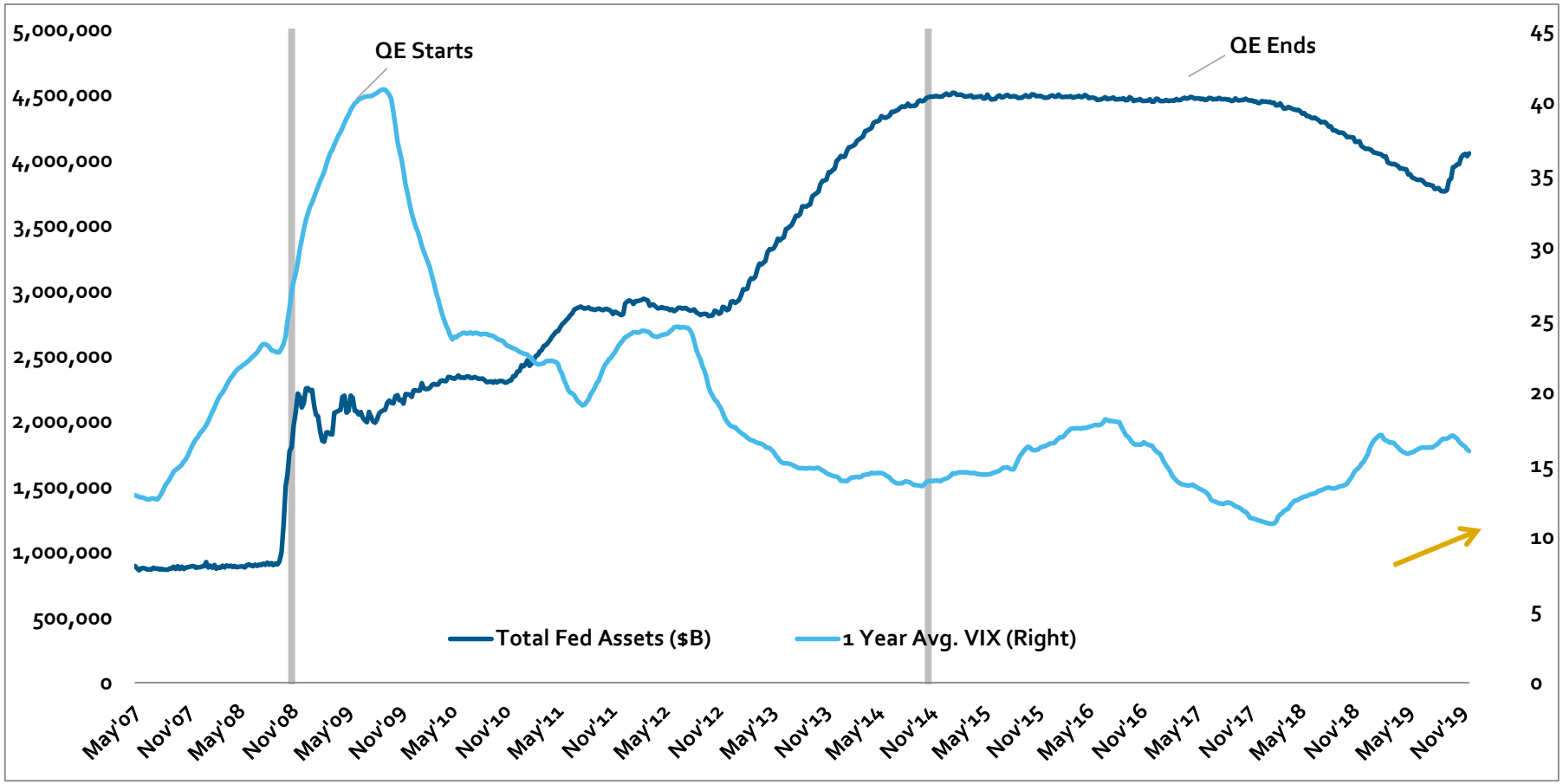
This Cycle Has Been Unique: Federal Reserve Intervention Suppressed Market Volatility, Removing Risk Management as a Source of Alpha

Federal Reserve Balance Sheet Size vs. One-Year Avg. VIX

Weekly as of November 27, 2019



Source: Morgan Stanley Wealth Management GIC, Bloomberg, Morgan Stanley & Co.

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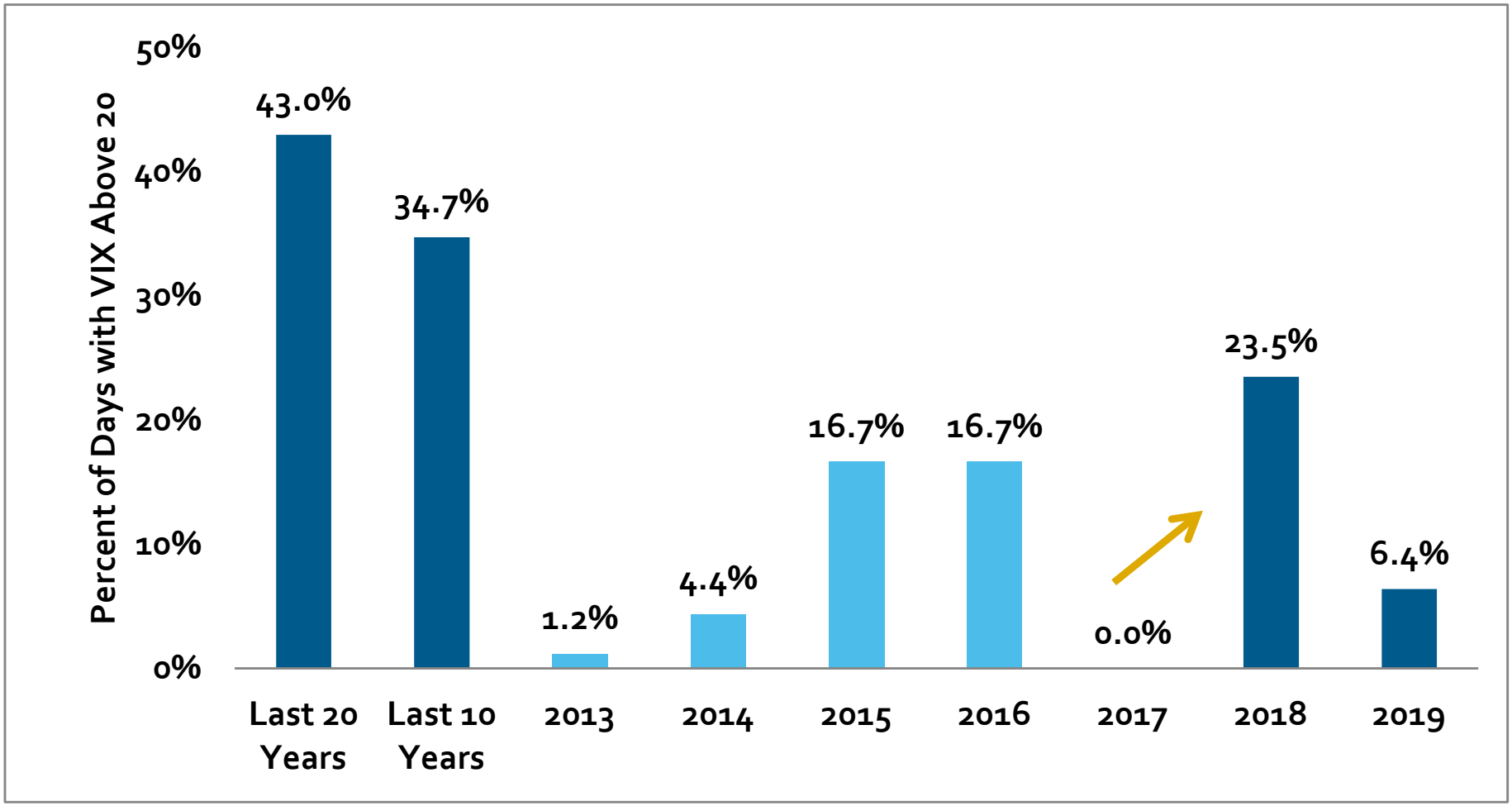
After an Extremely Muted 2017, Volatility Has Returned, Creating More Opportunities for Managers to Identify Mispricings

VIX Index Level

Percent of Days VIX is above 20, as of December 5, 2019



Source: Morgan Stanley Wealth Management GIC, Bloomberg

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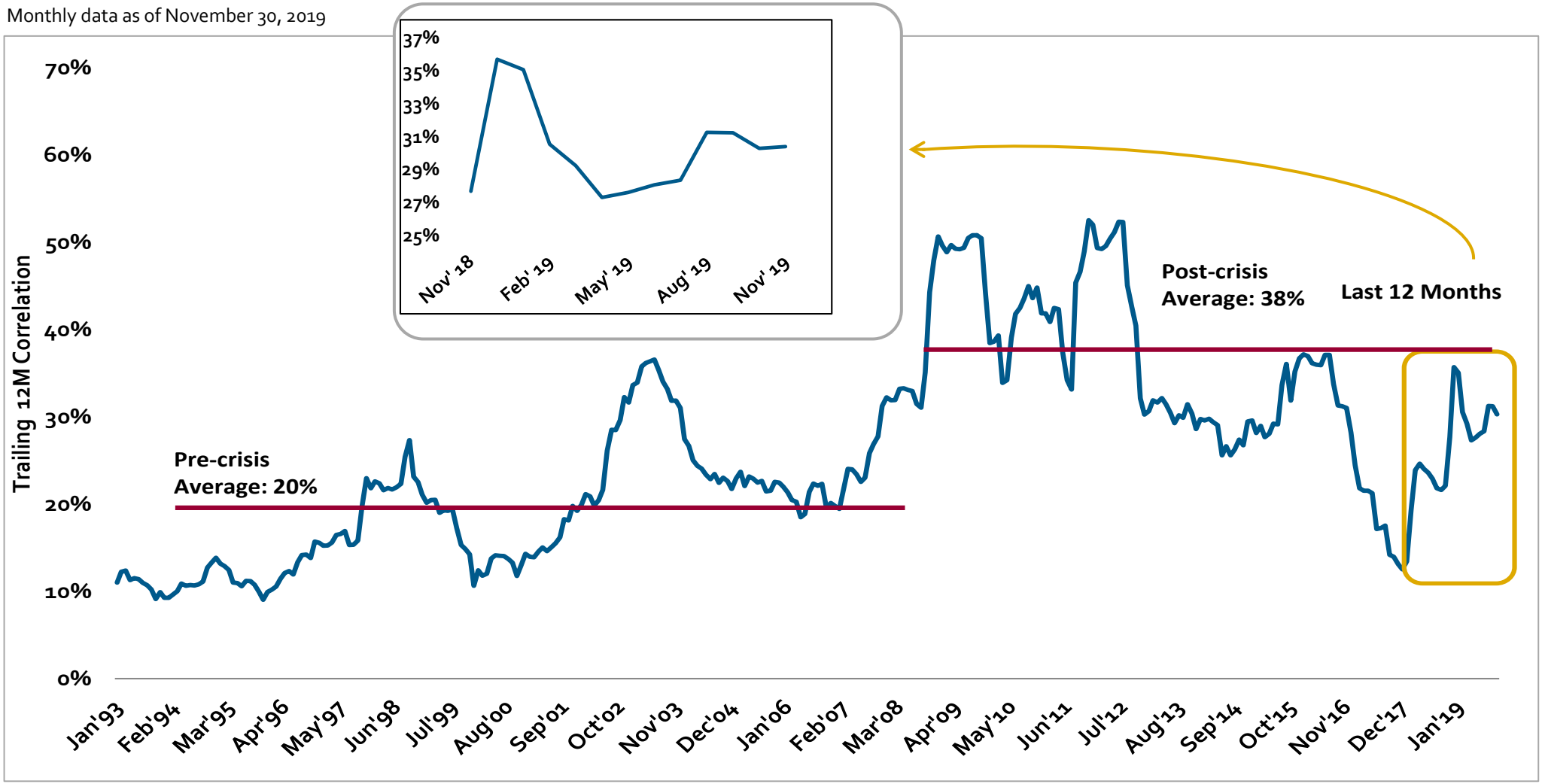
… Correlations Are Still Below Recent Highs, Suggesting Stocks May Trade More Distinctly, Potentially Benefitting Stock Pickers …

US Trailing 12-Month Correlation

Monthly data as of November 30, 2019



Source: Morgan Stanley Wealth Management GIC, FactSet

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Passive Outperformed in the Long Run, but Active Limited Downside

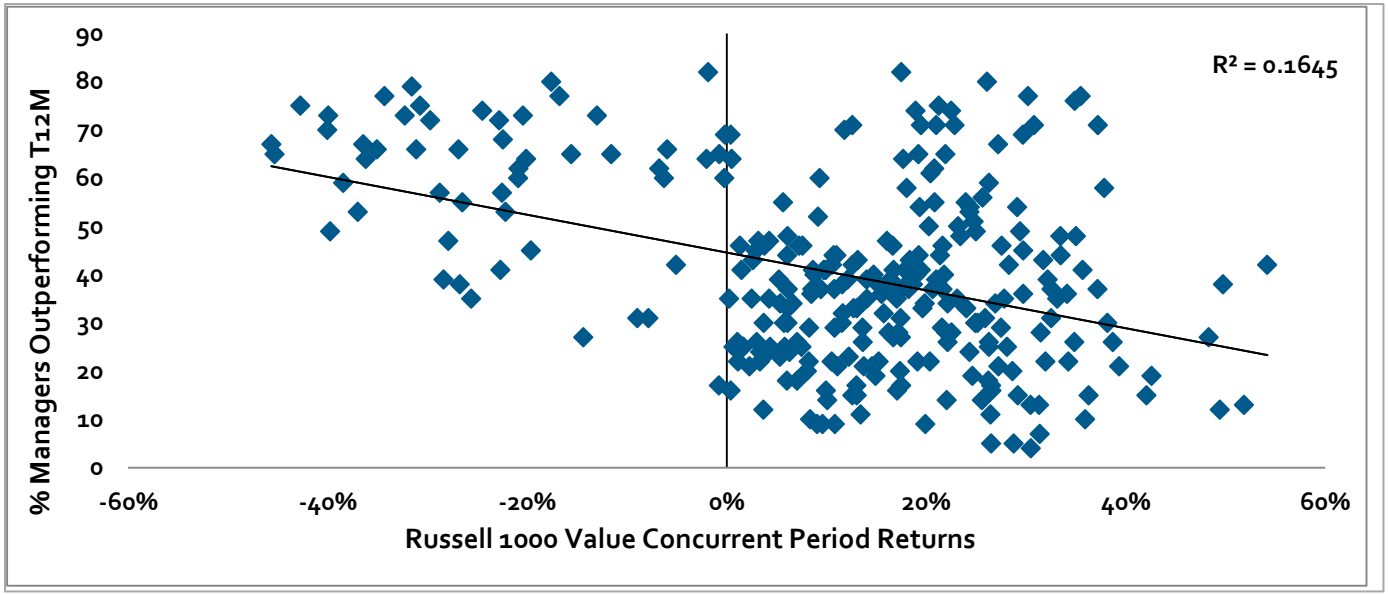
Active Performance Categorized by S&P Annual Returns

January 1990 to December 2018, S&P 500 returned -5% or less is considered a down year; S&P 500 returned more than -5% is considered an up year

	Down Years		Up Years		All Years	
	% Manager Outperform	Ann. Excess Return	% Manager Outperform	Ann. Excess Return	% Manager Outperform	Ann. Excess Return
Large Growth	59.8	0.8	42.2	-1.0	51.0	-1.0
Mid Growth	65.8	1.4	42.1	-1.1	53.9	-0.8
Small Growth	61.7	2.0	54.6	2.1	58.1	2.2
Average	62.4	1.4	46.3	0.0	54.4	0.1

Large Value: Manager Performance vs. Benchmark Return

January 1996 to October 2019



Source: Bloomberg. Active strategies are comprised of mutual funds, and passive strategies are based on ETFs.(1) A peak-to-trough decline during a specific period of an investment.

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Active or Passive Outperformance Could Depend on Economic or Policy Environment

Economic Outcome	Active or Passive?
Recession, due to slowed growth or other exogenous events	**Active.** Manager emphasis on quality factors and risk management may improve their likelihood of outperformance, as has been typical in low-return market periods
Slow but expansionary cycle continues	**Passive.** Difficult to outperform with fewer growth opportunities, limited ability for distressed value plays to fully recover. Coupling lackluster outperformance potential with limited potential downside market risks suggests correct focus is fee optimization
Cycle **accelerates,** delivering stronger economic growth	**Active.** Innovations or themes driving growth are likely to create differentiation among winning and losing companies and industries, a fertile ground for active managers

Policy Outcome	Active or Passive?
Growing fiscal stimulus, including broad infrastructure spending, tax reform or cash repatriation	**Active.** Analysis may reveal company-specific benefits to after-tax earnings, which is likely to be focused in specific benefits to after-tax earnings, which, in turn, is likely to be focused in specific companies and industries
Prolonged monetary stimulus, including stable or decreased federal funds rate and expanding Fed balance sheet	**Passive.** Prolonged, excess liquidity has driven asset prices across markets rather than focused on company-specific merits or fundamentals
Excess monetary tightening, including aggressive Fed funds rate hikes or balance sheet contraction	**Active.** Active management may better discern companies with earnings able to navigate a more difficult financing landscape, potential threats of inflation or rising costs of capital

Source: Morgan Stanley Wealth Management GIC

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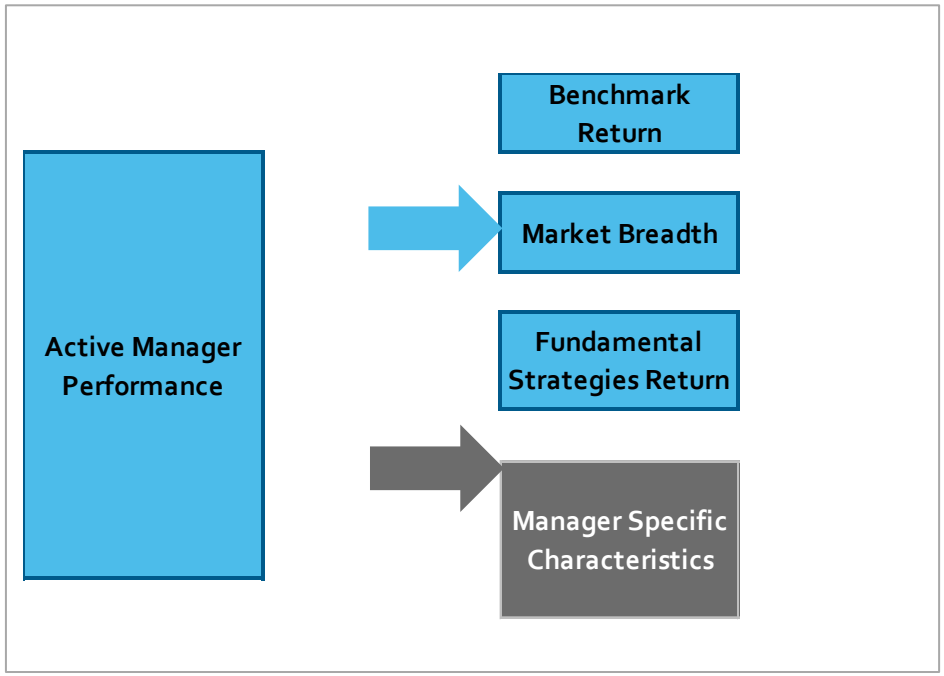
What Drives Active Performance?

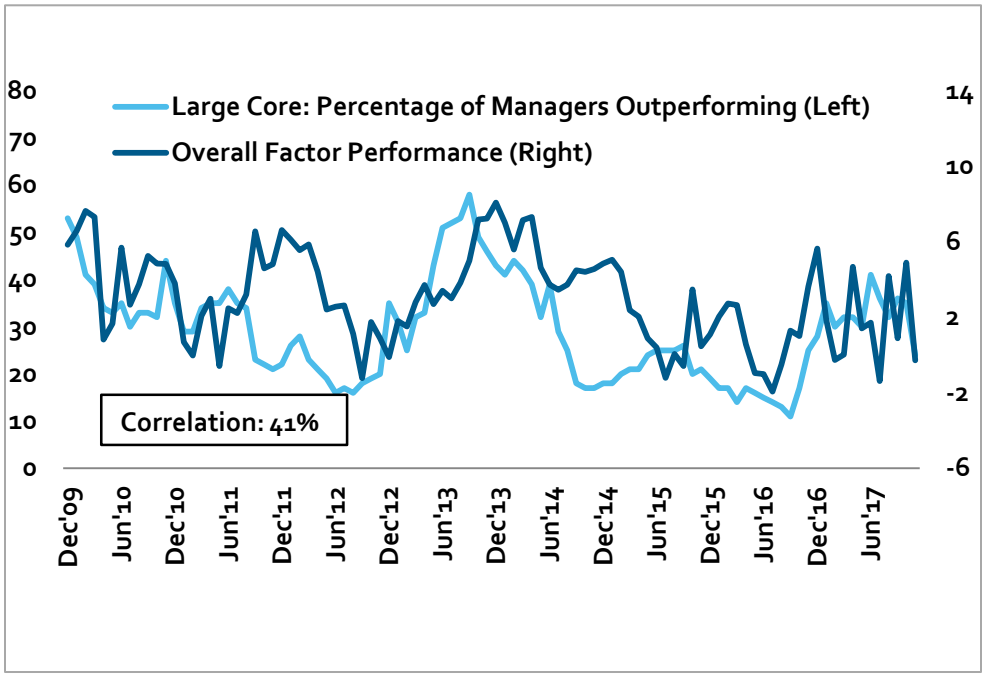
- Overall market breadth can improve by small cap outperforming large cap or global stocks outperforming US. We contextualize fundamental strategies using equity macro sensitivity[1] and overall quant factor[2] efficacies. Lower equity macro sensitivity and better overall quant factor efficacies may lead to higher fundamental strategy returns.
- Most equity active managers select stocks based on company fundamentals. An increased focus on fundamental investing has led to improving quant factors efficacy such as value, quality and profitability.

Decomposing Active Manager Performance



Performance of Large Core Manager[3] vs. Overall Quant Factor

December 2009 – November 2017



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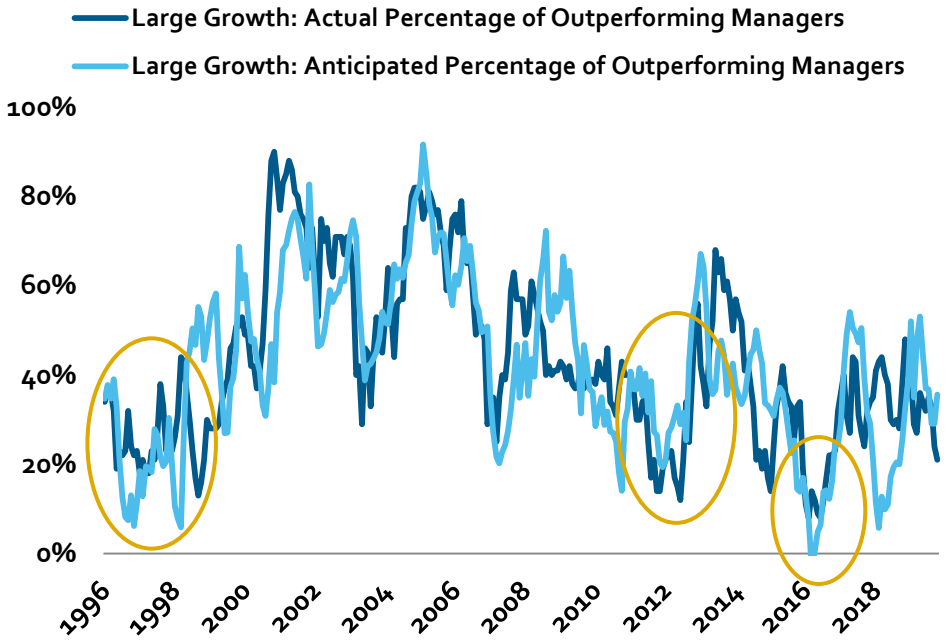
Our Factor-Based Framework Guides Active/Passive Decisions, and Has Indicated Prior Periods of Active-Manager Weakness

Factors Indicative of a Favorable Environment for Active Managers

Factors	Rationale
Yield Slope Level & Trend	Flattening yield slope signals elevated chance of market correction; active may benefit during market downturn
Return Correlation Level & Trend	Stock selection is more effective when companies trade distinctly
Value Dispersion	Greater difference in prices versus next year's earnings between companies allows active to exploit mispriced opportunities
Earnings Estimate Dispersion	Controversy among analysts allows for active to benefit from research-driven "surprise"
Modeled Return Breadth	Modeled strong breadth in the next year implies more stocks outperforming; active may benefit
Trailing Return Breadth	Strong breadth over the last year has historically meant narrow market in the following year; fewer opportunities for stock-picking
Trailing Global vs. US Return	Global stocks gaining momentum may benefit active managers holding companies outside the US
S&P Macro Sensitivity Trend	Lower macro sensitivity in the equity market signals more fundamental-driven environment

Large Growth Modeled vs. Actual Manager Outperformance for Select Styles

Actual Performance as of November 2019, Estimated Performance as of November 2020



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Dynamically Allocating Between Active and Passive Using Our Model Has Outperformed Static Strategies

Tactical Model vs. Static Allocations Annualized Excess Returns[1]

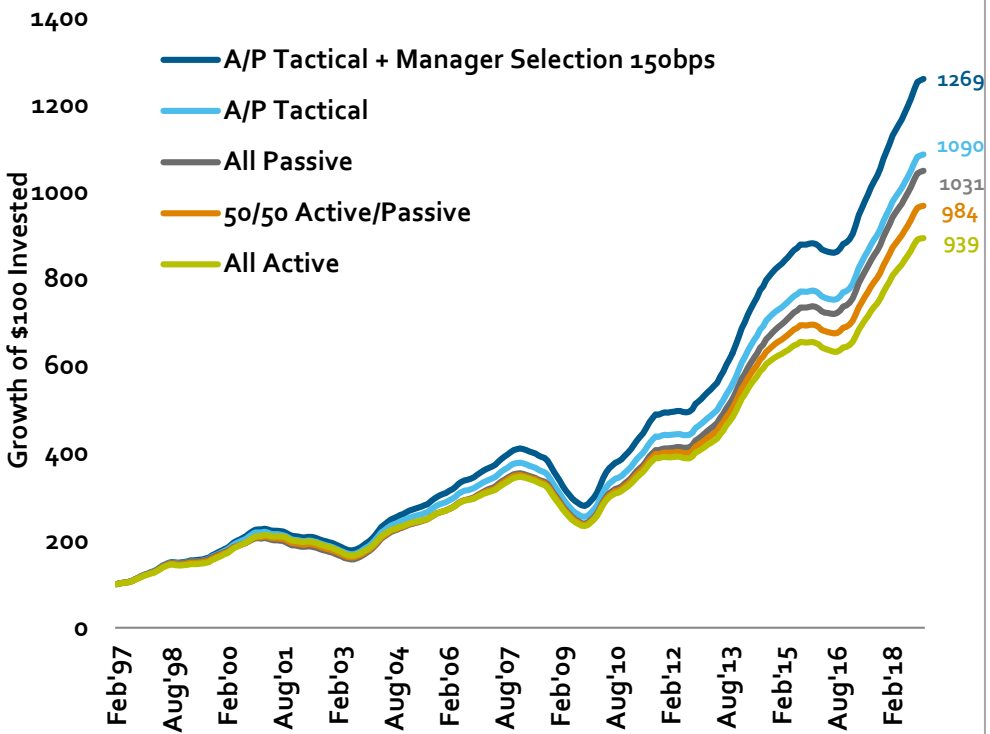
January 1996 – November 2019, Next 12 Months

A/P Tactical Excess Returns vs. Static Strategies

		Large Core	Mid Core	Small Core	Equal Allocation Among 9 Styles
No Manager Selection	A/P Tactical - Strategic	0.2%	0.0%	0.4%	**0.3%**
	A/P Tactical - Passive	-0.3%	-0.2%	0.9%	**0.3%**
	A/P Tactical - 50/50	0.2%	0.1%	0.5%	**0.4%**
	A/P Tactical - Active	0.8%	0.5%	0.1%	**0.5%**
With 150bps Manager Selection	A/P Tactical - Passive	0.2%	0.2%	2.0%	**0.9%**
	A/P Tactical - 50/50	0.7%	0.6%	1.6%	**1.1%**
	A/P Tactical - Active	1.3%	1.0%	1.2%	**1.2%**

Tactical Model vs. Static Allocations Cumulative Returns[1]

January 1996 – November 2019, Next 12 Months With Equal Allocation Among Nine Styles



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Model Signals Are Currently Leaning Passive

Current Active/Passive Factor Weights and Signals

Monthly as of November 31, 2019

Factors	Large Core	Mid Core	Small Core	Current Signal	Last 6M Signal Trend	Last 12M Signal Trend
Value Dispersion	20%	25%	15%	Moderate Passive	Passive	Passive
S&P Macro Sensitivity Trend	14%	22%	12%	Moderate Active	Neutral	Neutral
Trailing Return Breadth	11%	6%	9%	Moderate Passive	Passive	Active
Trailing Global vs. US Return	11%	4%	12%	Moderate Active	Active	Neutral
Return Correlation	7%	13%	19%	Strong Passive	Neutral	Neutral
Return Correlation Trend	16%	8%	8%	Strong Passive	Neutral	Neutral
Yield Slope	2%	11%	3%	Moderate Passive	Passive	Passive
Yield Slope Trend	8%	3%	1%	Moderate Passive	Neutral	Passive
Modeled Return Breadth	7%	6%	11%	Moderate Active	Neutral	Passive
Earnings Estimate Dispersion	5%	2%	10%	Moderate Passive	Passive	Passive

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Our Framework Has Been Effective in Identifying Active vs. Passive Favorable Environment

Active vs. Passive Excess Returns During Active Favorable Periods

January 1997 to November 2019

Active Investments	No Selection Premium	Add 0.75% Selection Premium	Add 1.50% Selection Premium	Frequency to Overweight Active
Large Average	0.62%	1.37%	2.12%	30%
Mid Average	0.72%	1.47%	2.22%	32%
Small Average	2.60%	3.35%	4.10%	27%
Average	1.32%	2.07%	2.82%	29%

Passive vs. Active Excess Returns During Passive Favorable Periods

January 1997 to November 2019

Passive Investments	No Selection Premium	Subtract 0.75% Selection Premium	Subtract 1.50% Selection Premium	Frequency to Overweight Passive
Large Average	1.40%	0.65%	-0.10%	24%
Mid Average	1.77%	1.02%	0.27%	25%
Small Average	-1.37%	-2.12%	-2.87%	26%
Average	0.60%	-0.15%	-0.90%	25%

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Past performance is no guarantee of future results. Estimates of future performance are based on assumptions that may not be realized. 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. Please refer to important information, disclosures and qualifications at the end of this material.

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The sole purpose of this material is to inform, and it in no way is intended to be an offer or solicitation to purchase or sell any security, other investment or service, or to attract any funds or deposits. Investments mentioned may not be suitable for all clients. Any product discussed herein may be purchased only after a client has carefully reviewed the offering memorandum and executed the subscription documents. Morgan Stanley Wealth Management has not considered the actual or desired investment objectives, goals, strategies, guidelines, or factual circumstances of any investor in any fund(s). Before making any investment, each investor should carefully consider the risks associated with the investment, as discussed in the applicable offering memorandum, and make a determination based upon their own particular circumstances, that the investment is consistent with their investment objectives and risk tolerance. Morgan Stanley Smith Barney LLC offers investment program services through a variety of investment programs, which are opened pursuant to written client agreements. Each program offers investment managers, funds and features that are not available in other programs; conversely, some investment managers, funds or investment strategies may be available in more than one program.

Morgan Stanley's investment advisory programs may require a minimum asset level and, depending on your specific investment objectives and financial position, may not be suitable for you. Please see the Morgan Stanley Smith Barney LLC program disclosure brochure (the "Morgan Stanley ADV") for more information in the investment advisory programs available. The Morgan Stanley ADV is available at www.morganstanley.com/ADV. **Sources of Data.** Information in this material in this report has been obtained from sources that we believe to be reliable, but we do not guarantee its accuracy, completeness or timeliness. Third-party data providers make no warranties or representations relating to the accuracy, completeness or timeliness of the data they provide and are not liable for any damages relating to this data. All opinions included in this material constitute the Firm's judgment as of the date of this material and are subject to change without notice. This material was not prepared by the research departments of Morgan Stanley & Co. LLC or Morgan Stanley Smith Barney LLC. Some historical figures may be revised due to newly identified programs, firm restatements, etc.

Global Investment Manager Analysis (GIMA) Focus List, Approved List and Tactical Opportunities List; Watch Policy. GIMA uses two methods to evaluate investment products in applicable advisory programs: **Focus** (and investment products meeting this standard are described as being on the Focus List) and **Approved** (and investment products meeting this standard are described as being on the Approved List). In general, Focus entails a more thorough evaluation of an investment product than Approved. Sometimes an investment product may be evaluated using the Focus List process but then placed on the Approved List instead of the Focus List. Investment products may move from the Focus List to the Approved List, or vice versa. GIMA may also determine that an investment product no longer meets the criteria under either process and will no longer be recommended in investment advisory programs (in which case the investment product is given a "Not Approved" status). GIMA has a '**Watch**" policy and may describe a Focus List or Approved List investment product as being on "Watch" if GIMA identifies specific areas that (a) merit further evaluation by GIMA and (b) may, but are not certain to, result in the investment product becoming "Not Approved." The Watch period depends on the length of time needed for GIMA to conduct its evaluation and for the investment manager or fund to address any concerns. Certain investment products on either the Focus List or Approved List may also be recommended for the **Tactical Opportunities List** based in part on tactical opportunities existing at a given time. The investment products on the Tactical Opportunities List change over time. For more information on the Focus List, Approved List, Tactical Opportunities List and Watch processes, please see the applicable Form ADV Disclosure Document for Morgan Stanley Wealth Management. Your Financial Advisor or Private Wealth Advisor can also provide upon request a copy of a publication entitled "Manager Selection Process."

The **Global Investment Committee** is a group of seasoned investment professionals who meet regularly to discuss the global economy and markets. The committee determines the investment outlook that guides our advice to clients. They continually monitor developing economic and market conditions, review tactical outlooks and recommend model portfolio weightings, as well as produce a suite of strategy, analysis, commentary, portfolio positioning suggestions and other reports and broadcasts.

The GIC Asset Allocation Models are not available to be directly implemented as part of an investment advisory service and should not be regarded as a recommendation of any Morgan Stanley investment advisory service. The GIC Asset Allocation Models do not represent actual trading or any type of account or any type of investment strategies and none of the fees or other expenses (e.g. commissions, mark-ups, mark-downs, advisory fees, fund expenses) associated with actual trading or accounts are reflected in the GIC Asset Allocation Models which, when compounded over a period of years, would decrease returns.

Adverse Active Alpha (AAA) is a patented screening and scoring process designed to help identify high-quality equity and fixed income managers with characteristics that may lead to future outperformance relative to index and peers. While highly ranked managers performed well as a group in our Adverse Active Alpha model back tests, not all of the managers will outperform. Please note that this data may be derived from back-testing, which has the benefit of hindsight. In addition, highly ranked managers can have differing risk profiles that might not be suitable for all investors. Our view is that Adverse Active Alpha is a good starting point and should be used in conjunction with other information. Morgan Stanley Wealth Management's qualitative and quantitative investment manager due diligence process are equally important factors for investors when considering managers for use through an investment advisory program. Factors including, but not limited to, manager turnover and changes to investment process can partially or fully negate a positive Adverse Active Alpha ranking. Additionally, highly ranked managers can have differing risk profiles that might not be

suitable for all investors. For more information on AAA, please see the Adverse Active Alpha Ranking Model and Selecting Managers with Adverse Active Alpha whitepapers. The whitepaper are available from your Financial Advisor or Private Wealth Advisor. ADVERSE ACTIVE ALPHA is a registered service mark of Morgan Stanley and/or its affiliates. U.S. Pat. No. 8,756,098 applies to the Adverse Active Alpha system and/or methodology.

The Global Investment Manager Analysis (GIMA) Services Only Apply to Certain Investment Advisory Programs GIMA evaluates certain investment products for the purposes of some – but not all – of Morgan Stanley Smith Barney LLC's investment advisory programs (as described in more detail in the applicable Form ADV Disclosure Document for Morgan Stanley Wealth Management). If you do not invest through one of these investment advisory programs, Morgan Stanley Wealth Management is not obligated to provide you notice of any GIMA Status changes even though it may give notice to clients in other programs.

Strategy May Be Available as a Separately Managed Account or Mutual Fund Strategies are sometimes available in Morgan Stanley Wealth Management investment advisory programs both in the form of a separately managed account ("SMA") and a mutual fund. These may have different expenses and investment minimums. Your Financial Advisor or Private Wealth Advisor can provide more information on whether any particular strategy is available in more than one form in a particular investment advisory program. In most Morgan Stanley Wealth Management investment advisory accounts, fees are deducted quarterly and have a compounding effect on performance. For example, on an advisory account with a 3% annual fee, if the gross annual performance is 6.00%, the compounding effect of the fees will result in a net performance of approximately 3.93% after one year, 1 after three years, and 21.23% after five years. **Conflicts of Interest:** GIMA's goal is to provide professional, objective evaluations in support of the Morgan Stanley Wealth Management investment advisory programs. We have policies and procedures to help us meet this goal. However, our business is subject to various conflicts of interest. For example, ideas and suggestions for which investment products should be evaluated by GIMA come from a variety of sources, including our Morgan Stanley Wealth Management Financial Advisors and their direct or indirect managers, and other business persons within Morgan Stanley Wealth Management or its affiliates. Such persons may have an ongoing business relationship with certain investment managers or mutual fund companies whereby they, Morgan Stanley Wealth Management or its affiliates receive compensation from, or otherwise related to, those investment managers or mutual funds. For example, a Financial Advisor may suggest that GIMA evaluates an investment manager or fund in which a portion of his or her clients' assets are already invested. While such a recommendation is permissible, GIMA is responsible for the opinions expressed by GIMA. See the conflicts of interest section in the applicable Form ADV Disclosure Document for Morgan Stanley Wealth Management for a discussion of other types of conflicts that may be relevant to GIMA's evaluation of managers and funds. In addition, Morgan Stanley Wealth Management, MS & Co., managers and their affiliates provide a variety of services (including research, brokerage, asset management, trading, lending and investment banking services) for each other and for various clients, including issuers of securities that may be recommended for purchase or sale by clients or are otherwise held in client accounts, and managers in various advisory programs. Morgan Stanley Wealth Management, managers, MS & Co., and their affiliates receive compensation and fees in connection with these services. Morgan Stanley Wealth Management believes that the nature and range of clients to which such services are rendered is such that it would be inadvisable to exclude categorically all of these companies from an account.

Morgan Stanley charges each fund family we offer a mutual fund support fee, also called a "revenue-sharing payment," on client account holdings in fund families according to a tiered rate that increases along with the management fee of the fund so that lower management fee funds pay lower rates than those with higher management fees.

Consider Your Own Investment Needs: The model portfolios and strategies discussed in the material are formulated based on general client characteristics including risk tolerance. This material is not intended to be a client-specific suitability analysis or recommendation, or offer to participate in any investment. Therefore, clients should not use this profile as the sole basis for investment decisions. They should consider all relevant information, including their existing portfolio, investment objectives, risk tolerance, liquidity needs and investment time horizon. Such a suitability determination may lead to asset allocation results that are materially different from the asset allocation shown in this profile. Talk to your Financial Advisor about what would be a suitable asset allocation for you, whether CGCM is a suitable program for you.

No obligation to notify – Morgan Stanley Wealth Management has no obligation to notify you when the model portfolios, strategies, or any other information, in this material changes.

Please consider the investment objectives, risks, fees, and charges and expenses of mutual funds, ETFs, closed end funds, unit investment trusts, and variable insurance products carefully before investing. The prospectus contains this and other information about each fund. To obtain a prospectus, contact your Financial Advisor or Private Wealth Advisor or visit the Morgan Stanley website at www.morganstanley.com**. Please read it carefully before investing.**

An investment in a money market fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the Fund seeks to preserve the value of your investment at $1.00 per share, it is possible to lose money by investing in the fund.

The type of mutual funds and ETFs discussed in this presentation utilizes nontraditional or complex investment strategies and/or derivatives. Examples of these types of funds include those that utilize

one or more of the below noted investment strategies or categories or which seek exposure to the following markets: (1) commodities (e.g., agricultural, energy and metals), currency, precious metals; (2) managed futures; (3) leveraged, inverse or inverse leveraged; (4) bear market, hedging, long-short equity, market neutral; (5) real estate; (6) volatility (seeking exposure to the CBOE VIX Index). Investors should keep in mind that while mutual funds and ETFs may, at times, utilize nontraditional investment options and strategies, they should not be equated with unregistered privately offered alternative investments. Because of regulatory limitations, mutual funds and ETFs that seek alternative-like investment exposure must utilize a more limited investment universe. As a result, investment returns and portfolio characteristics of alternative mutual funds and ETFs may vary from traditional hedge funds pursuing similar investment objectives. Moreover, traditional hedge funds have limited liquidity with long "lock-up" periods allowing them to pursue investment strategies without having to factor in the need to meet client redemptions and ETFs trade on an exchange. On the other hand, mutual funds typically must meet daily client redemptions. This differing liquidity profile can have a material impact on the investment returns generated by a mutual or ETF pursuing an alternative investing strategy compared with a traditional hedge fund pursuing the same strategy.

Nontraditional investment options and strategies are often employed by a portfolio manager to further a fund's investment objective and to help offset market risks. However, these features may be complex, making it more difficult to understand the fund's essential characteristics and risks, and how it will perform in different market environments and over various periods of time. They may also expose the fund to increased volatility and unanticipated risks particularly when used in complex combinations and/or accompanied by the use of borrowing or "leverage."

KEY ASSET CLASS CONSIDERATIONS AND OTHER RISKS

Investing in the markets entails the risk of market volatility. The value of all types of investments, including stocks, mutual funds, exchange-traded funds ("ETFs"), closed-end funds, and unit investment trusts, may increase or decrease over varying time periods. To the extent the investments depicted herein represent **international securities**, you should be aware that there may be additional risks associated with international investing, including foreign economic, political, monetary and/or legal factors, changing currency exchange rates, foreign taxes, and differences in financial and accounting standards. These risks may be magnified in **emerging markets and frontier markets**. **Small- and mid-capitalization companies** may lack the financial resources, product diversification and competitive strengths of larger companies. In addition, the securities of small- and mid-capitalization companies may not trade as readily as, and be subject to higher volatility than, those of larger, more established companies. The value of **fixed income securities** will fluctuate and, upon a sale, may be worth more or less than their original cost or maturity value. Bonds are subject to interest rate risk, call risk, reinvestment risk, liquidity risk, and credit risk of the issuer. **High yield bonds** are subject to additional risks such as increased risk of default and greater volatility because of the lower credit quality of the issues. In the case of **municipal bonds**, income is generally exempt from federal income taxes. Some income may be subject to state and local taxes and to the federal alternative minimum tax. Capital gains, if any, are subject to tax. **Treasury Inflation Protection Securities' (TIPS)** coupon payments and underlying principal are automatically increased to compensate for inflation by tracking the consumer price index (CPI). While the real rate of return is guaranteed, TIPS tend to offer a low return. Because the return of TIPS is linked to inflation, TIPS may significantly underperform versus conventional U.S. Treasuries in times of low inflation. There is no guarantee that investors will receive par if TIPS are sold prior to maturity. The returns on a portfolio consisting primarily of **environmental, social, and governance-aware investments ("ESG")** may be lower or higher than a portfolio that is more diversified or where decisions are based solely on investment considerations. Because ESG criteria exclude some investments, investors may not be able to take advantage of the same opportunities or market trends as investors that do not use such criteria. The companies identified and investment examples are for illustrative purposes only and should not be deemed a recommendation to purchase, hold or sell any securities or investment products. They are intended to demonstrate the approaches taken by managers who focus on ESG criteria in their investment strategy. There can be no guarantee that a client's account will be managed as described herein. **Options** and margin trading involve substantial risk and are not suitable for all investors. Besides the general investment risk of holding securities that may decline in value and the possible loss of principal invested, **closed-end funds** may have additional risks related to declining market prices relative to net asset values (NAVs), active manager underperformance and potential leverage. Closed-end funds, unlike open-end funds, are not continuously offered. There is a one-time public offering and once issued, shares of closed-end funds are sold in the open market through a stock exchange. NAV is total assets less total liabilities divided by the number of shares outstanding. At the time an investor purchases shares of a closed-end fund, shares may have a market price that is above or below NAV. Portfolios that invest a large percentage of assets in only one industry **sector** (or in only a few sectors) are more vulnerable to price fluctuation than those that diversify among a broad range of sectors.

Alternative investments often are speculative and include a high degree of risk. Investors could lose all or a substantial amount of their investment. Alternative investments are suitable only for eligible, long-term investors who are willing to forgo liquidity and put capital at risk for an indefinite period of time. They may be highly illiquid and can engage in leverage and other speculative practices that may increase the volatility and risk of loss. Alternative Investments typically have higher fees than traditional investments. Investors should carefully review and consider potential risks before investing. Certain of these risks may include but are not limited to: Loss of all or a substantial portion of the investment due to leveraging, short-selling, or other speculative practices; Lack of liquidity in that there may be no secondary market for a fund; Volatility of returns; Restrictions on transferring interests in a fund; Potential lack of diversification and resulting higher risk due to concentration of trading authority when a single advisor is utilized; Absence of information regarding valuations and pricing; Complex tax structures and delays in tax reporting; Less regulation and higher fees than mutual funds; Risks associated with the operations, personnel, and processes of the manager; and Risks associated with cybersecurity. As a diversified global financial services firm, Morgan Stanley Wealth Management engages in a broad spectrum of activities including financial advisory services, investment management activities, sponsoring and managing private investment

funds, engaging in broker-dealer transactions and principal securities, commodities and foreign exchange transactions, research publication, and other activities. In the ordinary course of its business, Morgan Stanley Wealth Management therefore engages in activities where Morgan Stanley Wealth Management's interests may conflict with the interests of its clients, including the private investment funds it manages. Morgan Stanley Wealth Management can give no assurance that conflicts of interest will be resolved in favor of its clients or any such fund. All expressions of opinion are subject to change without notice and are not intended to be a forecast of future events or results. Further, opinions expressed herein may differ from the opinions expressed by Morgan Stanley Wealth Management and/or other businesses/affiliates of Morgan Stanley Wealth Management. 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These limitations include survivorship bias (the returns of the indices may not be representative of all the hedge funds in the universe because of the tendency of lower performing funds to leave the index); heterogeneity (not all hedge funds are alike or comparable to one another, and the index may not accurately reflect the performance of a described style); and limited data (many hedge funds do not report to indices, and the index may omit funds, the inclusion of which might significantly affect the performance shown. The HFRI indices are based on information self-reported by hedge fund managers that decide on their own, at any time, whether or not they want to provide, or continue to provide, information to HFR Asset Management, L.L.C. Results for funds that go out of business are included in the index until the date that they cease operations. Therefore, these indices may not be complete or accurate representations of the hedge fund universe, and may be biased in several ways. Composite index results are shown for illustrative purposes and do not represent the performance of a specific investment. Individual funds have specific tax risks related to their investment programs that will vary from fund to fund. Clients should consult their own tax and legal advisors as Morgan Stanley Wealth Management does not provide tax or legal advice. Interests in alternative investment products are offered pursuant to the terms of the applicable offering memorandum, are distributed by Morgan Stanley Wealth Management and certain of its affiliates, and (1) are not FDIC-insured, (2) are not deposits or other obligations of Morgan Stanley Wealth Management or any of its affiliates, (3) are not guaranteed by Morgan Stanley Wealth Management and its affiliates, and (4) involve investment risks, including possible loss of principal. Morgan Stanley Wealth Management is a registered broker-dealer, not a bank. 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Investment products in this category may employ various investment strategies and techniques for both hedging and more speculative purposes such as short-selling, leverage, derivatives and options, which can increase volatility and the risk of investment loss. Alternative investments are not suitable for all investors. As a diversified global financial services firm, Morgan Stanley Wealth Management engages in a broad spectrum of activities including financial advisory services, investment management activities, sponsoring and managing private investment funds, engaging in broker-dealer transactions and principal securities, commodities and foreign exchange transactions, research publication, and other activities. In the ordinary course of its business, Morgan Stanley Wealth Management therefore engages in activities where Morgan Stanley Wealth Management's interests may conflict with the interests of its clients, including the private investment funds it manages. Morgan Stanley Wealth Management can give no assurance that conflicts of interest will be resolved in favor of its clients or any such fund. Alternative investments involve complex tax structures, tax inefficient investing, and delays in distributing important tax information. Individual funds have specific risks related to their investment programs that will vary from fund to fund. Clients should consult their own tax and legal advisors as Morgan Stanley Wealth Management does not provide tax or legal advice.

A majority of Alternative Investment managers reviewed and selected by GIMA pay or cause to be paid an ongoing fee for distribution from their management fees to Morgan Stanley Wealth Management in connection with Morgan Stanley Wealth Management clients that purchase an interest in an Alternative Investment and in some instances pay these fees on the investments held by advisory clients. Morgan Stanley Wealth Management rebates such fees that are received and attributable to an investment held by an advisory client and retains the fees paid in connection with investments held by brokerage clients. Morgan Stanley Wealth Management has a conflict of interest in offering alternative investments because Morgan Stanley Wealth Management or our affiliates, in most instances, earn more money in your account from your investments in alternative investments than from other investment options.

It should be noted that the majority of hedge fund indexes are comprised of hedge fund manager returns. This is in contrast to traditional indexes, which are comprised of individual securities in the various market segments they represent and offer complete transparency as to membership and construction methodology. As such, some believe that hedge fund index returns have certain biases that are not present in traditional indexes. Some of these biases inflate index performance, while others may skew performance negatively. However, many studies indicate that overall hedge fund index performance has been biased to the upside. Some studies suggest performance has been inflated by up to 260 basis points or more annually depending on the types of biases included and the time period studied. Although there are numerous potential biases that could affect hedge fund returns, we identify some of the more common ones throughout this paper.

Self-selection bias results when certain manager returns are not included in the index returns and may result in performance being skewed up or down. Because hedge funds are private placements, hedge fund managers are able to decide which fund returns they want to report and are able to opt out of reporting to the various databases. Certain hedge fund managers may choose only to report

returns for funds with strong returns and opt out of reporting returns for weak performers. Other hedge funds that close may decide to stop reporting in order to retain secrecy, which may cause a downward bias in returns.

Survivorship bias results when certain constituents are removed from an index. This often results from the closure of funds due to poor performance, "blow ups," or other such events. As such, this bias typically results in performance being skewed higher. As noted, hedge fund index performance biases can result in positive or negative skew. However, it would appear that the skew is more often positive. While it is difficult to quantify the effects precisely, investors should be aware that idiosyncratic factors may be giving hedge fund index returns an artificial "lift" or upwards bias.

Hedge Funds of Funds and many funds of funds are private investment vehicles restricted to certain qualified private and institutional investors. They are often speculative and include a high degree of risk. Investors can lose all or a substantial amount of their investment. They may be highly illiquid, can engage in leverage and other speculative practices that may increase volatility and the risk of loss, and may be subject to large investment minimums and initial lockups. They involve complex tax structures, tax-inefficient investing and delays in distributing important tax information. Categorically, hedge funds and funds of funds have higher fees and expenses than traditional investments, and such fees and expenses can lower the returns achieved by investors. Funds of funds have an additional layer of fees over and above hedge fund fees that will offset returns. An investment in an **exchange-traded fund** involves risks similar to those of investing in a broadly based portfolio of equity securities traded on an exchange in the relevant securities market, such as market fluctuations caused by such factors as economic and political developments, changes in interest rates and perceived trends in stock and bond prices. An investment in a **target date portfolio** is subject to the risks attendant to the underlying funds in which it invests, in these portfolios the funds are the Consulting Group Capital Market funds. A target date portfolio is geared to investors who will retire and/or require income at an approximate year. The portfolio is managed to meet the investor's goals by the pre-established year or "target date." A target date portfolio will transition its invested assets from a more aggressive portfolio to a more conservative portfolio as the target date draws closer. An investment in the target date portfolio is not guaranteed at any time, including, before or after the target date is reached. **Managed futures** investments are speculative, involve a high degree of risk, use significant leverage, are generally illiquid, have substantial charges, subject investors to conflicts of interest, and are suitable only for the risk capital portion of an investor's portfolio. Managed futures investments do not replace equities or bonds but rather may act as a complement in a well diversified portfolio. Managed Futures are complex and not appropriate for all investors. **Rebalancing** does not protect against a loss in declining financial markets. There may be a potential tax implication with a rebalancing strategy.

Asset allocation and diversification do not assure a profit or protect against loss in declining financial markets. Past performance is no guarantee of future results. Actual results may vary.

Tax laws are complex and subject to change. Morgan Stanley Smith Barney LLC ("Morgan Stanley"), its affiliates and Morgan Stanley Financial Advisors and Private Wealth Advisors do not provide tax or legal advice and are not "fiduciaries" (under ERISA, the Internal Revenue Code or otherwise) with respect to the services or activities described herein except as otherwise provided in writing by Morgan Stanley and/or as described at www.morganstanley.com/disclosures/dol. Individuals are encouraged to consult their tax and legal advisors (a) before establishing a retirement plan or account, and (b) regarding any potential tax, ERISA and related consequences of any investments made under such plan or account.

Annuities and insurance products are offered in conjunction with Morgan Stanley Smith Barney LLC's licensed insurance agency affiliates.

Indices are unmanaged and investors cannot directly invest in them. They are not subject to expenses or fees and are often comprised of securities and other investment instruments the liquidity of which is not restricted. A particular investment product may consist of securities significantly different than those in any index referred to herein. Composite index results are shown for illustrative purposes only, generally do not represent the performance of a specific investment, may not, for a variety of reasons, be a suitable comparison or benchmark for a particular investment and may not necessarily reflect the actual investment strategy or objective of a particular investment. Consequently, comparing an investment to a particular index may be of limited use.

This material is not a financial plan and does not create an investment advisory relationship between you and your Morgan Stanley Financial Advisor. We are not your fiduciary either under the Employee Retirement Income Security Act of 1974 (ERISA) or the Internal Revenue Code of 1986, and any information in this report is not intended to form the primary basis for any investment decision by you, or an investment advice or recommendation for either ERISA or Internal Revenue Code purposes. Morgan Stanley Private Wealth Management will only prepare a financial plan at your specific request using Private Wealth Management approved financial planning signature.

We may act in the capacity of a broker or that of an advisor. As your broker, we are not your fiduciary and our interests may not always be identical to yours. Please consult with your Private Wealth Advisor to discuss our obligations to disclose to you any conflicts we may from time to time have and our duty to act in your best interest. We may be paid both by you and by others who compensate us based on what you buy. Our compensation, including that of your Private Wealth Advisor, may vary by product and over time.

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For index, indicator and survey definitions referenced in this report please visit the following: https://www.morganstanley.com/wealth-investmentsolutions/wmir-definitions

GLOBAL INVESTMENT COMMITTEE (GIC) ASSET ALLOCATION MODELS: The Asset Allocation Models are created by Morgan Stanley Wealth Management's GIC.

HYPOTHETICAL MODEL PERFORMANCE (GROSS): Hypothetical model performance results do not reflect the investment or performance of an actual portfolio following a GIC Strategy, but simply reflect actual historical performance of selected indices on a real-time basis over the specified period of time representing the GIC's strategic and tactical allocations as of the date of this report. The past performance shown here is simulated performance based on benchmark indices, not investment results from an actual portfolio or actual trading. There can be large differences between hypothetical and actual performance results achieved by a particular asset allocation or trading strategy. Hypothetical performance results do not represent actual trading and are generally designed with the benefit of hindsight. Actual performance results of accounts vary due to, for example, market factors (such as liquidity) and client-specific factors (such as investment vehicle selection, timing of contributions and withdrawals, restrictions and rebalancing schedules). Clients would not necessarily have obtained the performance results shown here if they had invested in accordance with any GIC Asset Allocation Model for the periods indicated. Despite the limitations of hypothetical performance, these hypothetical performance results allow clients and Financial Advisors to obtain a sense of the risk/return trade-off of different asset allocation constructs. The hypothetical performance results in this report are calculated using the returns of benchmark indices for the asset classes, and not the returns of securities, fund or other investment products. Models may contain allocations to Hedge Funds, Private Equity and Private Real Estate. The benchmark indices for these asset classes are not issued on a daily basis. When calculating model performance on a day for which no benchmark index data is issued, we have assumed straight line growth between the index levels issued before and after that date.

FEES REDUCE THE PERFORMANCE OF ACTUAL ACCOUNTS: None of the fees or other expenses (e.g. commissions, mark-ups, mark-downs, fees) associated with actual trading or accounts are reflected in the GIC Asset Allocation Models. The GIC Asset Allocation Models and any model performance included in this presentation are intended as educational materials. Were a client to use these models in connection with investing, any investment decisions made would be subject to transaction and other costs which, when compounded over a period of years, would decrease returns. Information regarding Morgan Stanley's standard advisory fees is available in the Form ADV Part 2, which is available at www.morganstanley.com/adv. The following hypothetical illustrates the compound effect fees have on investment returns: For example, if a portfolio's annual rate of return is 15% for 5 years and the account pays 50 basis points in fees per annum, the gross cumulative five-year return would be 101.1% and the five-year return net of fees would be 96.8%. Fees and/or expenses would apply to clients who invest in investments in an account based on these asset allocations, and would reduce clients' returns. The impact of fees and/or expenses can be material.

Variable annuities are long-term investments designed for retirement purposes and may be subject to market fluctuations, investment risk, and possible loss of principal. All guarantees, including optional benefits, are based on the financial strength and claims-paying ability of the issuing insurance company and do not apply to the underlying investment options. Optional riders may not be able to be purchased in combination and are available at an additional cost. Some optional riders must be elected at time of purchase. Optional riders may be subject to specific limitations, restrictions, holding periods, costs, and expenses as specified by the insurance company in the annuity contract. If you are investing in a **variable annuity** through a tax-advantaged retirement plan such as an IRA, you will get no additional tax advantage from the variable annuity. Under these circumstances, you should only consider buying a variable annuity because of its other features, such as lifetime income payments and death benefits protection. Taxable distributions (and certain deemed distributions) are subject to ordinary income tax and, if taken prior to age 59½, may be subject to a 10% federal income tax penalty. Early withdrawals will reduce the death benefit and cash surrender value.

Equity securities may fluctuate in response to news on companies, industries, market conditions and general economic environment. **Ultrashort-term fixed income** asset class is comprised of fixed income securities with high quality, very short maturities. They are therefore subject to the risks associated with debt securities such as credit and interest rate risk.

Master Limited Partnerships (MLPs) are limited partnerships or limited liability companies that are taxed as partnerships and whose interests (limited partnership units or limited liability company units) are traded on securities exchanges like shares of common stock. Currently, most MLPs operate in the energy, natural resources or real estate sectors. Investments in MLP interests are subject to the risks generally applicable to companies in the energy and natural resources sectors, including commodity pricing risk, supply and demand risk, depletion risk and exploration risk. Individual MLPs

are publicly traded partnerships that have unique risks related to their structure. These include, but are not limited to, their reliance on the capital markets to fund growth, adverse ruling on the current tax treatment of distributions (typically mostly tax deferred), and commodity volume risk. The potential tax benefits from investing in MLPs depend on their being treated as partnerships for federal income tax purposes and, if the MLP is deemed to be a corporation, then its income would be subject to federal taxation at the entity level, reducing the amount of cash available for distribution to the fund which could result in a reduction of the fund's value. MLPs carry interest rate risk and may underperform in a rising interest rate environment. MLP funds accrue deferred income taxes for future tax liabilities associated with the portion of MLP distributions considered to be a tax-deferred return of capital and for any net operating gains as well as capital appreciation of its investments; this deferred tax liability is reflected in the daily NAV, and, as a result, the MLP fund's after-tax performance could differ significantly from the underlying assets even if the pre-tax performance is closely tracked.

Investing in commodities entails significant risks. Commodity prices may be affected by a variety of factors at any time, including but not limited to, (i) changes in supply and demand relationships, (ii) governmental programs and policies, (iii) national and international political and economic events, war and terrorist events, (iv) changes in interest and exchange rates, (v) trading activities in commodities and related contracts, (vi) pestilence, technological change and weather, and (vii) the price volatility of a commodity. In addition, the commodities markets are subject to temporary distortions or other disruptions due to various factors, including lack of liquidity, participation of speculators and government intervention. **Physical precious metals** are non-regulated products. Precious metals are speculative investments, which may experience short-term and long term price volatility. The value of precious metals investments may fluctuate and may appreciate or decline, depending on market conditions. Unlike bonds and stocks, precious metals do not make interest or dividend payments. Therefore, precious metals may not be suitable for investors who require current income. Precious metals are commodities that should be safely stored, which may impose additional costs on the investor.

REITs investing risks are similar to those associated with direct investments in real estate: property value fluctuations, lack of liquidity, limited diversification and sensitivity to economic factors such as interest rate changes and market recessions. Risks of **private real estate** include: illiquidity; a long-term investment horizon with a limited or nonexistent secondary market; lack of transparency; volatility (risk of loss); and leverage. Principal is returned on a monthly basis over the life of a **mortgage-backed security.** Principal prepayment can significantly affect the monthly income stream and the maturity of any type of MBS, including standard MBS, CMOs and Lottery Bonds. **Asset-backed securities** generally decrease in value as a result of interest rate increases, but may benefit less than other fixed-income securities from declining interest rates, principally because of prepayments.

Yields are subject to change with economic conditions. Yield is only one factor that should be considered when making an investment decision. **Credit ratings** are subject to change. **Duration,** the most commonly used measure of bond risk, quantifies the effect of changes in interest rates on the price of a bond or bond portfolio. The longer the duration, the more sensitive the bond or portfolio would be to changes in interest rates. The majority of $25 and $1000 par **preferred securities** are "callable" meaning that the issuer may retire the securities at specific prices and dates prior to maturity. Interest/dividend payments on certain preferred issues may be deferred by the issuer for periods of up to 5 to 10 years, depending on the particular issue. The investor would still have income tax liability even though payments would not have been received. Price quoted is per $25 or $1,000 share, unless otherwise specified. Current yield is calculated by multiplying the coupon by par value divided by the market price. The initial interest rate on a **floating-rate security** may be lower than that of a fixed-rate security of the same maturity because investors expect to receive additional income due to future increases in the floating security's underlying reference rate. The reference rate could be an index or an interest rate. However, there can be no assurance that the reference rate will increase. Some floating-rate securities may be subject to call risk. The market value of **convertible bonds** and the underlying common stock(s) will fluctuate and after purchase may be worth more or less than original cost. If sold prior to maturity, investors may receive more or less than their original purchase price or maturity value, depending on market conditions. Callable bonds may be redeemed by the issuer prior to maturity. Additional call features may exist that could affect yield. Some $25 or $1000 **par preferred securities** are QDI (Qualified Dividend Income) eligible. Information on QDI eligibility is obtained from third party sources. The dividend income on QDI eligible preferreds qualifies for a reduced tax rate. Many traditional 'dividend paying' perpetual preferred securities (traditional preferreds with no maturity date) are QDI eligible. In order to qualify for the preferential tax treatment all qualifying preferred securities must be held by investors for a minimum period – 91 days during a 180 day window period, beginning 90 days before the ex-dividend date.

Companies paying **dividends** can reduce or cut payouts at any time.

Nondiversification: For a portfolio that holds a concentrated or limited number of securities, a decline in the value of these investments would cause the portfolio's overall value to decline to a greater degree than a less concentrated portfolio. The **indices selected by Morgan Stanley Wealth Management** to measure performance are representative of broad asset classes. Morgan Stanley Wealth Management retains the right to change representative indices at any time. Because of their narrow focus, **sector investments** tend to be more volatile than investments that diversify across many sectors and companies.

Growth investing does not guarantee a profit or eliminate risk. The stocks of these companies can have relatively high valuations. Because of these high valuations, an investment in a growth stock can be more risky than an investment in a company with more modest growth expectations. **Value investing** does not guarantee a profit or eliminate risk. Not all companies whose stocks are

considered to be value stocks are able to turn their business around or successfully employ corrective strategies which would result in stock prices that do not rise as initially expected .
Any type of **continuous or periodic investment plan** does not assure a profit and does not protect against loss in declining markets. Since such a plan involves continuous investment in securities regardless of fluctuating price levels of such securities, the investor should consider his financial ability to continue his purchases through periods of low price levels.
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