

Catholic Values Investing



For important information, disclosures and qualifications, refer to the Disclosure Section.

Background and Context

What is the Connection Between Faith and Investing?

Faith-based institutions and individuals have, for over 100 years, considered the social and environmental impact of their financial decisions. At the foundation of this approach is a mission to protect and promote the worth of every person, which is core to the social teaching principles of the Catholic Church,¹ as well as a broad range of other faiths. Increasingly, stakeholders—including staff, trustees and donors, as well as those served by faith-based institutions such as parishioners, students and patients—call for a holistic approach to embracing their faith. This includes the management of investments as an extension of mission and as a complement to other activities, such as philanthropy. This approach includes integrating mission and values into the financial objectives and investment guidelines of the faith-based institution in line with fiduciary responsibility. Further, investors interested in aligning their faith with their investments may seek to integrate guidelines specific to their interpretation of faith-based values.

Faith-based investment guidelines vary by financial goals, including time horizon, liquidity needs, and by the mission and teachings of the faith the individual, family or institution follows. Faith-based investors are credited with inspiring investing for social and environmental impact, and serving as early advocates for influencing companies to change their corporate practices, a process known as shareholder engagement.

TABLE OF CONTENTS

BACKGROUND AND CONTEXT

- 2** What is the Connection Between Faith and Investing?
- 3** Historical Context for Faith-Based Investing
- 3** What Are Catholic Values?
- 5** Who is Interested in Catholic Values Investing?
- 5** Laying the Foundation for Implementing Catholic Values

IMPLEMENTATION

- 7** Road Map For Faith-Based Clients
- 9** Overview of Different Investment Approaches
- 10** Asset Allocation Approach to Catholic Values
- 11** Portfolio Construction
- 12** Catholic Values in Action: In Stewardship of the Faith

Historical Context for Faith-Based Investing

Early in the 19th century, Quakers and Methodists adopted investment guidelines grounded in religious mission and values. For example, Methodists were firmly opposed to the slave trade, smuggling and conspicuous consumption. In accordance with these values, Methodist religious entities avoided investments in companies that manufacture alcohol and tobacco, and that promote gambling. Around this same time, guided by Quaker testimonies and values such as peace, simplicity, integrity and justice, the Friends Fiduciary Corporation established guidelines that avoided investments in companies that manufacture alcohol, tobacco and weapons. These guidelines, established long ago, have carried forward, alongside other evolving approaches, to Quaker and Methodist institutional and individual investment preferences today.

Beginning in the late 1960s, Roman Catholic organizations alongside Protestant organizations spoke out publicly against apartheid in South Africa. Catholic nuns are credited with successfully advocating for corporations to divest from South Africa in the 1970s. Furthermore, the nuns used their pooled retirement assets as leverage to file shareholder resolutions with the intent of confronting corporations that had not yet adopted the Sullivan Principles. The Sullivan Principles, which are codes of conduct developed by the African-American preacher Reverend Leon Sullivan, are broad reaching in their commitment to promoting equality and inclusivity at corporations.² As an example, the Sullivan Principles require a corporation to ensure that all employees are treated equally regardless of race.

Beyond Christian investors, there is a growing landscape of interdenominational investors. For example, the many followers of the Jewish and Islamic faiths view their investments as a powerful tool to effect positive change in the world and live their mission more deeply. In addition, there is increasing interfaith dialogue.

For example, the Interfaith Center on Corporate Responsibility (ICCR) began in 1971 as a small group of interdenominational religious investors and has grown to over 300 faith- and values-driven institutional investors, including faith-based institutions, pension funds, colleges, universities and asset management companies. This coalition's members steward over \$4 trillion in invested capital.³

In addition to coalitions such as ICCR, events such as the Vatican Conferences on Impact Investing have been convened for investors to collaborate on Pope Francis' vision of "placing the economy at the service of peoples."⁴ The inaugural biennial conference held in 2014 centered on understanding the core concepts of impact investing as a potential tool for the Church to help the poor. In 2018, the Dicastery for Promoting Integral Human Development and Catholic Relief Services hosted the Third Vatican Conference on Impact Investing.

The latest conference brought together 160 leaders representing large investment firms, including Morgan Stanley, social enterprises, government, institutional and family foundations, and the Catholic Church. The conference's objective was to move more money into the impact investing sector, with an emphasis on supporting the most vulnerable in four key issue areas: health, youth employment, migrants and refugees, and climate change. The conference resulted in pledges of almost \$1 billion in new impact investments to be raised or deployed over the course of several years.⁵

Built on a strong historical foundation, interest among faith-based investors to integrate financial considerations alongside values and mission continues to grow.

What are Catholic Values?

Bolstering this deep history are philosophical teachings which act as the foundation for integrating Catholic Values into investments. As an example, The Catholic Framework for Economic Life (see Exhibit 1) is a set of 10 principles, set forth by the United States Conference of Catholic Bishops (USCCB) that can guide investors. This Framework is based on the Catechism of the Catholic Church, papal encyclicals, statements from bishops in the US, and the pastoral letter Economic Justice for All. Pope Francis expanded on these principles in his 2015 encyclical *Laudato Si'*, calling for environmental justice and fundamental social change in the face of global warming.

Through these teachings, the Catholic Church recognizes that the financial markets and the economy at large are central to humanity. According to Dr. Joseph E. Capizzi, Executive Director of Human Ecology and Professor of Moral Theology at Catholic University of America, "Catholic social doctrine [recognizes] that finance is a form of human activity, as such, finance is therefore bound by principles placing it at the service of the human person in his or her fullness, and yet boundless by the limitless capacity of human creativity and wonder. The Church's claim that finance must serve the human person therefore imposes no artificial limits on finance. As Popes John Paul II, Benedict and Francis have all insisted, finance will flourish, if, and only if, bound by human dignity and the moral law. Should finance be disconnected from these, its gains would be short term at best, and at the price not merely of human beings, but of the flourishing it might have otherwise served."⁶

"... by itself, the market cannot guarantee integral human development and social inclusion."

— POPE FRANCIS

Exhibit 1: USCCB's Catholic Framework for Economic Life

- 1 The economy exists for the person, not the person for the economy.

- 2 All economic life should be shaped by moral principles. Economic choices and institutions must be judged by how they protect or undermine the life and dignity of the human person, support the family and serve the common good.

- 3 A fundamental moral measure of any economy is how the poor and vulnerable are faring.

- 4 All people have a right to life and to secure the basic necessities of life, such as food, clothing, shelter, education, health care, safe environment and economic security.

- 5 All people have the right to economic initiative, to productive work, to just wages and benefits, to decent working conditions as well as to organize and join unions or other associations.

- 6 All people, to the extent they are able, have a corresponding duty to work, a responsibility to provide for the needs of their families, and an obligation to contribute to the broader society.

- 7 In economic life, free markets have both clear advantages and limits; government has essential responsibilities and limitations; voluntary groups have irreplaceable roles, but cannot substitute for the proper working of the market and the just policies of the state.

- 8 Society has a moral obligation, including governmental action where necessary, to assure opportunity, meet basic human needs, and pursue justice in economic life.

- 9 Workers, owners, managers, stockholders and consumers are moral agents in economic life. By our choices, initiative, creativity and investment, we enhance or diminish economic opportunity, community life and social justice.

- 10 The global economy has moral dimensions and human consequences. Decisions on investment, trade, aid and development should protect human life and promote human rights, especially for those most in need, wherever they might live on this globe.



Who is Interested in Catholic Values Investing?

Given the experience of Morgan Stanley working with faith-based investors, we have found that the following are interested, or actively pursuing, an approach to aligning capital and mission:

- Catholic and Jesuit educational institutions—lower, middle and high schools, colleges and universities
- Catholic health care and service organizations
- Catholic Archdioceses/Dioceses—regional grouping of parishes
- Catholic nonprofits/charitable organizations
- Families and family offices
- High net worth individuals

Catholic Values and other faith-based investing approaches are at the vanguard of the growing market for sustainable and impact investing. Morgan Stanley recently conducted a survey and found that 95% of asset owners, defined as public and corporate pensions, endowments, foundations and other large asset owners, are pursuing or considering the integration of environmental, social and governance (ESG) data into their investment process. This is driven by the desire to achieve mission alignment, but also risk management and return potential.⁷ Asset owners broadly are increasingly integrating mission alignment and sustainability into their investment processes, given the broad growth in sustainable investing strategies as well as increasing demand from key institutional stakeholders and the regulatory backdrop.

Laying the Foundation for Implementing Catholic Values

The USCCB has issued Socially Responsible Investment Guidelines, which codify the philosophical teachings as a set of guidelines for Catholic Values-oriented investors to integrate the mission of the Church into the financial objectives of their investment portfolios. The Guidelines are guided by the belief that the USCCB should exercise both “responsible financial stewardship over its economic resources” and “ethical and social stewardship in its investment policy”. They include negative (exclusionary) screening, targeted positive environmental and

social impact, and active corporate participation with regards to stock holdings⁸ (see Exhibit 2). The USCCB Guidelines were most recently updated in November 2021, the first update since 2003. Over the past decade, we have seen Catholic investors increasingly tilt their investments toward generating positive environmental and/or social impact, representing an evolution beyond the Guidelines as a negative screening tool. This shift has paralleled the broader growth in the sustainable and impact investing industry targeting positive environmental and social impact alongside market-rate returns. The 2021 Guideline updates include an increased emphasis on influencing companies and a focus on environmental issues, following Pope Francis’s 2015 Encyclical Letter, through encouraging alignment with the Paris Climate Accords and the environmental principles of the UN Global Compact.

While the Guidelines outline specific issues to avoid or focus on, they still leave room for interpretation depending upon the teachings and preferences of specific organizations and individuals, as well as the financial objectives and investment constraints. For some investors, there are negative screens (such as the exclusion of abortifacients) where an absolute implementation approach can be taken (i.e., all companies with any percentage of their revenue in that industry must be avoided). Other investors may have different tolerance levels and may consider revenue-related thresholds as a way to measure the underlying operations of companies, whereby investors may seek to avoid those that derive a majority of their revenue (e.g., 50% or greater) from any given industry. Further still, some investors look to invest in companies with “de minimis” revenue exposure, which could be defined as 1%, 5%, 10% or 15%, etc. This is a case-by-case discussion and it is important to keep in mind that there may be certain investment strategy constraints as well.

Clients may work with a Morgan Stanley Financial Advisor, Private Wealth Advisor, or Graystone Institutional Consultant to develop a tailored investment approach based on their preferences with regard to integrating Catholic Values. This process, which can be informed by the USCCB Guidelines but may include additional impact criteria, is part of the development of a lasting investment plan that could help address a client’s unique financial and faith-based or impact goals.

Exhibit 2: Interpretation of Changes to the USCCB’s Socially Responsible Investing Guidelines

	2003	2021
<p>Avoid Doing Harm can include restricting investment in companies that derive significant revenue from the following areas:</p>	<ul style="list-style-type: none"> • Abortion • Abortifacients • Contraceptives • Embryonic Stem Cells • Fetal Tissue Research • Human Cloning • Racial or Gender Discrimination • Pornography • Controversial Weapons • Antipersonnel Landmines • Low Community Reinvestment Act (CRA) rating 	<ul style="list-style-type: none"> • Abortion • Abortifacients • Euthanasia • Assisted Suicide • In Vitro Fertilization • Contraceptives Manufacture (or more than 10% revenue from sales) • Embryonic Stem Cells • Fetal Tissue Research • Human Cloning • Gender Reassignment Treatment/Surgery • Human Rights Violation • Pornography • Controversial Weapons • Antipersonnel Landmines • Gambling • Tobacco • Recreational Cannabis • Biodiversity loss (Should not) • Non-compliance with the UN Global Compact Environmental Principles (Should not)
<p>Promote the Common Good investment in companies that derive revenue from or promote:</p>	<p>Equal pay and accommodate family needs</p>	<ul style="list-style-type: none"> • Impact Investing • Companies with good gender and racial diversity practices • Companies aligned with emission reduction goals of the Paris Agreement
<p>Actively Work for Change involves leveraging an investor’s position as shareholder to shape corporate policies and decisions, including dialogue with corporate leadership, shareholder resolutions, and working with other groups, such as ICCR, that are working for corporate responsibility broadly:</p>	<ul style="list-style-type: none"> • Promoting Human Rights • Racial and Ethnic Diversity • Access to Pharmaceuticals • Improving Labor Standards • Protecting the Environment • Sustainable Energy • Greenhouse Gas Reduction 	<ul style="list-style-type: none"> • Promoting Human Rights • Promotion of corporate social responsibility • Promotion of affordable housing and responsible retail finance • Racial and Ethnic Diversity • Access to Pharmaceuticals • Improving Labor Standards • Protecting Biodiversity • Discouraging abortion. Use of abortion-derived cell lines and euthanasia • Discouraging gender reassignment practices • Promotion of responsible, marriage affirming and family-oriented program content development • Promote responsible consumption, energy efficiency practices, and environmental standard conformity

Source: Institutional Shareholder Services, February 10, 2022

Implementation

Road Map For Faith-Based Clients

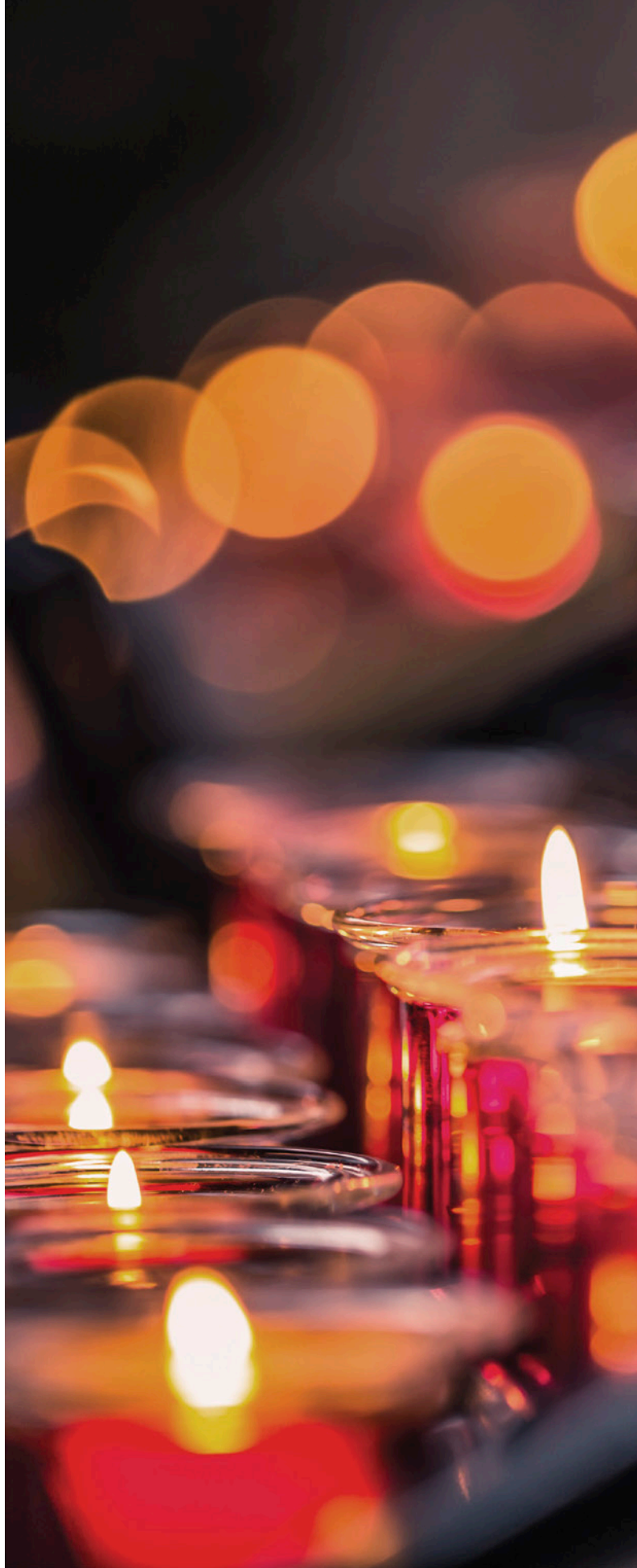
To guide faith-based clients, Morgan Stanley has developed a framework, called Mission Align 360°, that serves as a road map for clients to evaluate all pools of capital—human, philanthropic and financial—and allocate to faith and mission. This proprietary process starts with affirming the mission of the organization and culminates in continuous portfolio monitoring. To align financial capital (which may include endowments, retirement accounts, pensions, cash pools, donor-advised funds), the following steps in the Mission Align 360° framework apply:

Developing an Integrated Investment Policy Statement:

Once a client has decided to integrate Catholic Values into their investment portfolio, the next step is to build or evolve an existing investment plan or investment policy statement (IPS). The IPS clarifies and formalizes the client's priorities, risk tolerance, return objectives, benchmarks and time horizon, and can also lay down a framework for approaching Catholic Values investments across all relevant asset classes. In order to gain consensus on an investment plan and/or IPS, an extended meeting with a Financial Advisor, Private Wealth Advisor or Institutional Consultant can be a helpful exercise, especially with institutional boards. The conversation will focus on several key discussion questions that will help form the investment plan/policy statement. This can help to set client expectations prior to portfolio implementation, and provide enough flexibility to allow the investment strategy to evolve over time as the investment opportunity set grows and adapts to market demand. Ultimately, the goal is to develop a long-term investment plan, which seeks to achieve both the desired faith-based impact goals and target financial objectives.

Evaluating Existing Financial Capital: With an IPS in place, a client's existing assets must be evaluated according to both financial goals and alignment toward faith-based objectives. An essential resource in this part of the process is Morgan Stanley Impact Quotient® (Morgan Stanley IQ), a patented,⁹ award-winning,^{*} technology launched in 2019, that delivers multidimensional analysis on a portfolio's alignment to a client's unique impact objectives, such as Catholic Values as well as over 100 other potentially relevant impact objectives and global frameworks, including the United Nations Sustainable Development Goals (SDGs). Ultimately, the result of this assessment may identify where there are opportunities to strengthen the alignment between investments and faith-based or impact objectives over time.

^{*}Aite-Novarica Group's Digital Wealth Management Impact Awards (9/2022) based on time period from 1/1/2021–3/31/2022. For criteria & methodology, go to (<https://aite-novarica.com/aite-novarica-group-announces-winners-2022-digital-wealth-management-impact-awards>).





Overview of Investment Approaches

We see a growing, although still somewhat limited, landscape of investment choices and opportunities in the Catholic Values space. At Morgan Stanley, we offer over 3,000 investment strategies for clients, a subset of which have met the higher bar necessary to be on the Investing with Impact Platform and take an approach to integrating Catholic Values into the investment process.

Aligning with the increased focus on actively working for change in the updated Guidelines, asset managers may utilize shareholder engagement, either through in-house teams or in partnership with external organizations such as As You Sow, a nonprofit that promotes corporate social responsibility through

shareholder advocacy and coalition building, in order to drive positive change across environmental, social or governance-related areas of concern in a portfolio. Shareholder engagement approaches include proxy voting, which provides investors with an opportunity to influence corporate responsibility matters, dialogue with company executives, shareholder resolutions and more. Shareholder resolutions are a particularly important tool in instances when dialogue with a company does not advance, and typically require that companies disclose information, report on the potential impact to their operations if the issue is not addressed, or make a commitment to adopt or change their policies. Third-party managers rely on both proprietary sources of data, including conversations with company management, as well as external sources, including ESG data provided by third parties to determine a company’s adherence to Catholic Values guidelines.

Exhibit 4: Aligning with USCCB Guidelines Across Asset Classes

Catholic Values Strategies	Overlay Restriction Screens on Separately Managed Accounts	Customized Approaches
<p>Investment Strategies that manage the portfolio to comply with exclusionary and/or positive criteria in line with USCCB guidelines.</p>	<p>For investment strategies that do not align with USCCB Guidelines, there are several ways to apply overlay screens:</p> <ul style="list-style-type: none"> • Choose from 34 predefined screens at Morgan Stanley, including Catholic Values. • Develop custom screens directly through an asset manager via dual contract and/or • Build a custom screen through a third-party vendor, additional cost may apply 	<p>Investment strategies that offer completely customizable approaches to aligning with USCCB Guidelines and environmental and social issues more broadly. These equity and fixed income strategies are often available through separately managed accounts and may have higher minimums.</p>

Asset Allocation Approach to Catholic Values

When looking at the investment opportunity set across asset classes, it is important to note there are more robust investment opportunities in certain asset classes. For example, there are greater investment strategies available across most public market equities and fixed income than there are in alternative investments — hedge funds, private equity and debt. Further, investors are unique and not every asset class will be appropriate or relevant. In instances where there are limited asset class opportunities, investors may consider allocating to funds with an intentional approach to ESG integration that addresses a broad range of environmental and social issues. An important constraint for investors to also consider is the size of the investment portfolio, which may influence the selection process.

Investors can work with their Financial Advisor, Private Wealth Advisor, or Institutional Consultant to develop a tailored investment approach to incorporate Catholic Values into their portfolio to achieve long-term financial and impact goals.



Portfolio Construction

There are at least three different ways to think about constructing an investment portfolio that incorporates Catholic Values:



Total Portfolio Solution:

An investor can activate their entire portfolio based on their financial and Catholic Values objectives. This may include utilizing mutual funds, exchange-traded funds and separately managed accounts that, to one extent or another, incorporate pre-defined positive and/or negative Catholic Values into their investment discipline, depending upon the investors preferences. One limitation to be aware of is that the universe of available opportunities may limit the diversification of a portfolio.

To help with overall diversification, it is worth noting Morgan Stanley's Investing with Impact Platform more broadly may resonate with Catholic Values-oriented investors. These clients may be interested in pursuing investment strategies that, while not explicitly employing USCCB negative screening guidelines, may have de minimis exposure overall and would include the positive aspects of Catholic Values (e.g., investing in companies that are environmental leaders and good corporate citizens) that are part of the broad consideration of environmental, social and governance or thematic criteria.



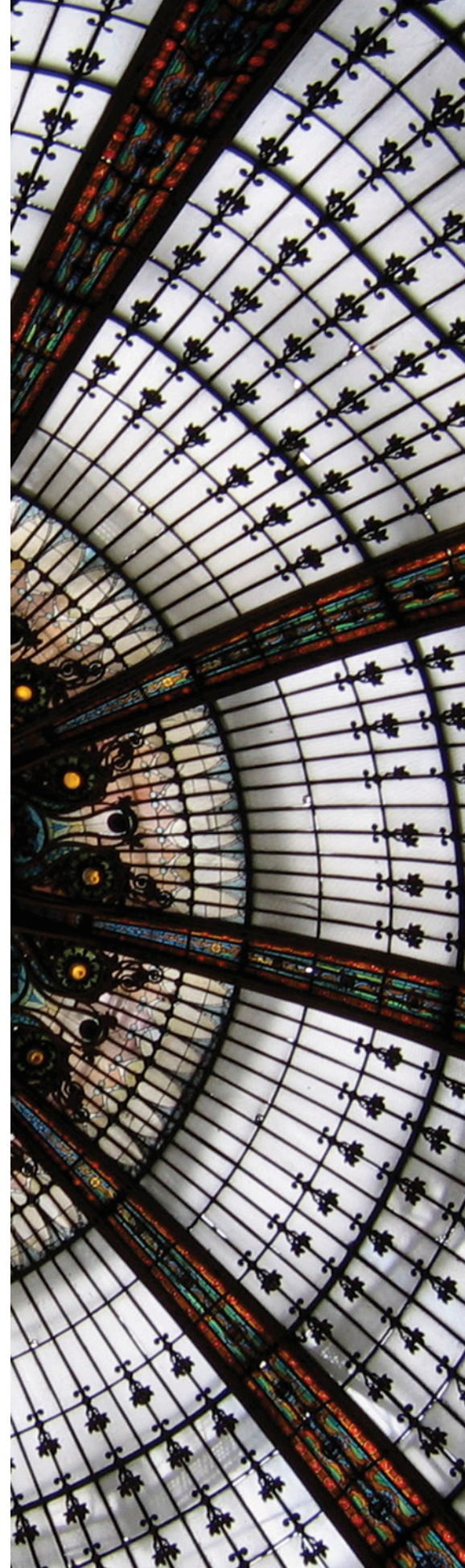
Partial Portfolio Solution:

Where options exist that meet the financial and Catholic Values objectives of the investor, these investments can be integrated into the context of a fully diversified portfolio that may include non-Catholic Values integrated investments. In contrast to a total portfolio solution, a partial solution may be implemented by transitioning a portion of the overall assets, either by asset class or based on a catalyst such as an underperforming manager, to strengthen the mission alignment over time.



Carve-Out:

An investor may choose to have a portion of their assets aligned with their version of Catholic Values—either the public equity/public fixed income, alternatives (note: for qualified investors only) or a diversified carve-out across all asset classes. This could be a specific amount or percentage allocation and creates a target and mandate that can be a great way for institutions to start on their journey of mission alignment across investments.



Catholic Values in Action: In Stewardship of the Faith

“As each one has received a gift, use it to serve one another as good stewards of God’s varied grace.”

— 1 PETER 4:10

Morgan Stanley has been at the forefront of faith-based investing, launching its first Catholic Values Investing Tool Kit in 2015 and collaborating closely with asset managers and industry organizations since then to expand investment opportunities for our clients and the broader market. Leveraging these resources and networks, we have a history of helping clients create customized portfolios to meet their values, while helping to catalyze additional capital. In 2020, Morgan Stanley worked with US congregations of Dominican Sisters to create a portfolio that aligns with Catholic Values and addresses climate change, especially as it affects marginalized communities disproportionately impacted by global warming. Through Morgan Stanley, the Sisters were able to catalyze investment from other nonprofits, increasing their impact.

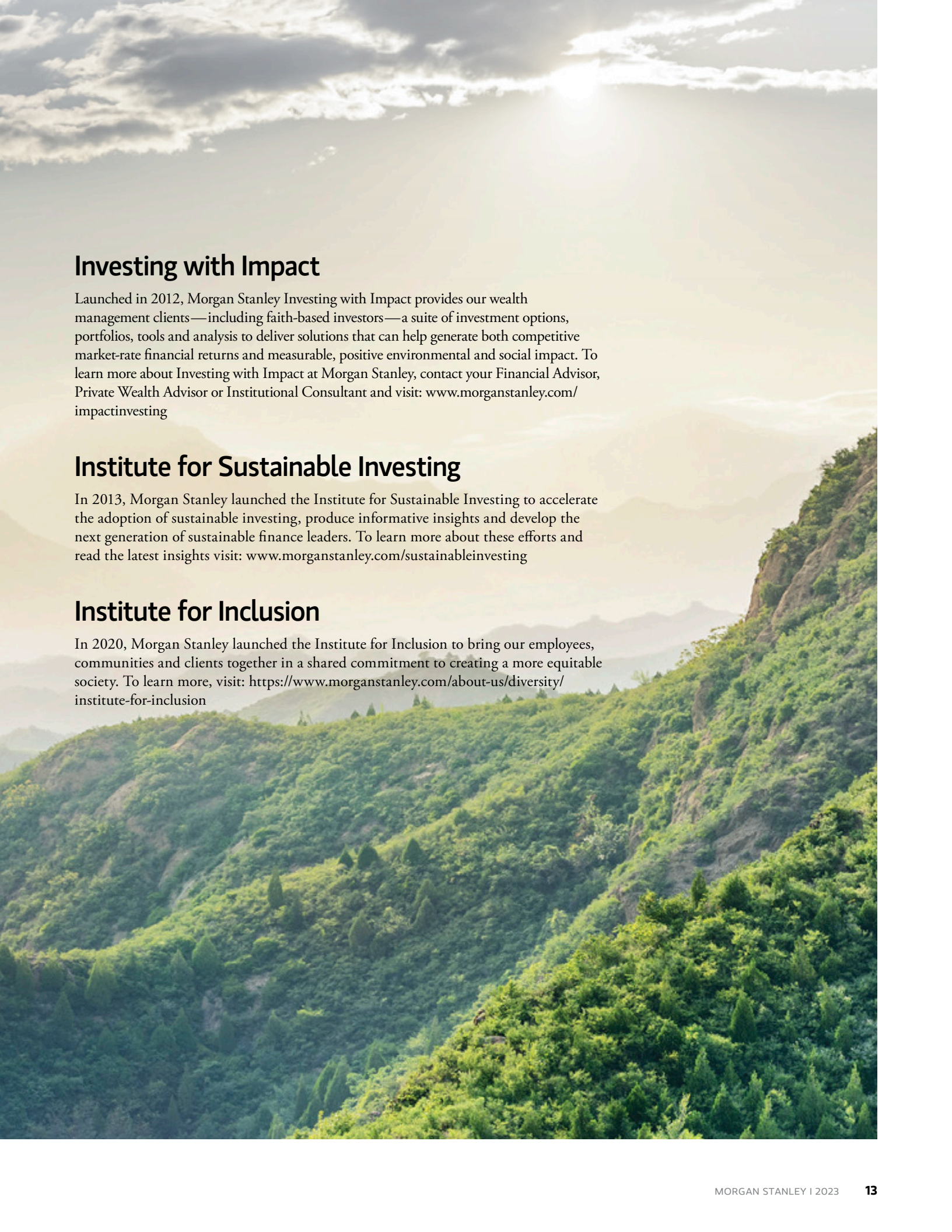
Today, Morgan Stanley Investing with Impact offers its clients customization across multiple faiths such as Christianity (for example, Baptist, Catholic, etc.), Islamic and Jewish Values, as well as a suite of portfolio solutions that seek to advance broad sustainability solutions as well as mitigate climate change, support diversity and inclusion, promote community economic development, and more. Morgan Stanley also produces informative insights and actionable ideas on a range of sustainability themes through publications and reports from Investing with Impact, Institute for Inclusion, the Institute for Sustainable Investing and Morgan Stanley & Co. Equity Research.

At Morgan Stanley, we see both individual and institutional investors motivated to invest their portfolios in accordance with their personal and faith-based mission and values. We believe it is important for investors to partner with a Financial Advisor, Private Wealth Advisor or Institutional Consultant to help navigate the complexity of this ever-evolving approach to investing. They can be vital in helping investors to identify what investment options and portfolio approach may help to achieve faith and financial goals. In our experience, success around integrating Catholic Values requires active participation from clients, working alongside their financial professionals, to recognize the advantages and limitations of the current market and shape the marketplace to benefit future growth in adoption of Catholic Values investing.

In the context of Catholic Values, the Parable of the Talents (Matthew 25:14-30) underscores the importance of maximizing the use of God-given talents and resources to fulfill God’s work, emphasizing how resources are used—such as financial capital—which Catholic investors can leverage as part of a holistic approach to embracing their faith.

“Impact investors are those who are conscious of the existence of serious unjust situations, instances of profound social inequality and unacceptable conditions of poverty affecting communities and entire peoples.”

—POPE FRANCIS, 2014 VATICAN SYMPOSIUM ON IMPACT INVESTING



Investing with Impact

Launched in 2012, Morgan Stanley Investing with Impact provides our wealth management clients—including faith-based investors—a suite of investment options, portfolios, tools and analysis to deliver solutions that can help generate both competitive market-rate financial returns and measurable, positive environmental and social impact. To learn more about Investing with Impact at Morgan Stanley, contact your Financial Advisor, Private Wealth Advisor or Institutional Consultant and visit: www.morganstanley.com/impactinvesting

Institute for Sustainable Investing

In 2013, Morgan Stanley launched the Institute for Sustainable Investing to accelerate the adoption of sustainable investing, produce informative insights and develop the next generation of sustainable finance leaders. To learn more about these efforts and read the latest insights visit: www.morganstanley.com/sustainableinvesting

Institute for Inclusion

In 2020, Morgan Stanley launched the Institute for Inclusion to bring our employees, communities and clients together in a shared commitment to creating a more equitable society. To learn more, visit: <https://www.morganstanley.com/about-us/diversity/institute-for-inclusion>

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- ⁵ https://www.crs.org/sites/default/files/tools-research/report_-_third_vatican_conference_on_impact_investing.pdf
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- ⁸ United States Conference of Catholic Bishops, "USCCB Socially Responsible Investing Guidelines." <https://www.usccb.org/resources/socially-responsible-investment-guidelines-2021-united-states-conference-catholic-bishops>
- ⁹ US Patent Number 11,188,983

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This material is not an offer to buy or sell any security or to participate in any trading strategy.

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The investment manager 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 types of approaches taken by managers who focus on Catholic Values or ESG criteria in their investment strategy. There can be no guarantees that a client's account will be managed as described herein.

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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.

Investing in the market entails the risk of market volatility. The value of all types of investments may increase or decrease over varying time periods.

The returns on a portfolio consisting primarily of faith-based, racial equity, DEI and ESG investments may be lower or higher than a portfolio that is more diversified or where decisions are based solely on investment considerations. Because faith-based, racial equity, DEI and 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.

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 appropriate 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. Funds of funds typically have higher fees than single-manager vehicles as they are subject to an additional layer of fees charged by the fund of funds manager. Alternative investments involve complex tax structures, tax-inefficient investing and delays in distributing important tax information. Investors should carefully review and consider potential risks before investing.

Investing in foreign emerging markets entails greater risks than those normally associated with domestic markets, such as political, currency, economic and market risks. These risks are magnified in **frontier markets**.

Equity securities may fluctuate in response to news on companies, industries, market conditions and general economic environment.

Because of their narrow focus, **sector investments** tend to be more volatile than investments that diversify across many sectors and companies. **Health care sector stocks** are subject to government regulation, as well as government approval of products and services, which can significantly impact price and availability, and which can also be significantly affected by rapid obsolescence and patent expirations.

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. When interest rates rise, bond prices generally fall.

Bonds rated below investment grade may have speculative characteristics and present significant risks beyond those of other securities, including greater credit risk and price volatility in the secondary market. Investors should be careful to consider these risks alongside their individual circumstances, objectives and risk tolerance before investing in high-yield bonds. High yield bonds should comprise only a limited portion of a balanced portfolio.

Asset allocation and diversification do not assure a profit or protect against loss in declining financial markets.

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.

An investment in an exchange-traded fund involves risks similar to those of investing in a broadly based portfolio of equity securities traded on 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 prices. The investment return and principal value of ETF investments will fluctuate, so that an investor's ETF shares, if or when sold, may be worth more or less than the original cost.

Investors should carefully consider the investment objectives and risks as well as charges and expenses of a mutual fund/exchange-traded fund before investing. To obtain a prospectus, contact your Financial Advisor or visit the fund company's website. The prospectus contains this and other information about the mutual fund/exchange-traded fund. Read the prospectus carefully before investing.

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