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WEALTH MANAGEMENT

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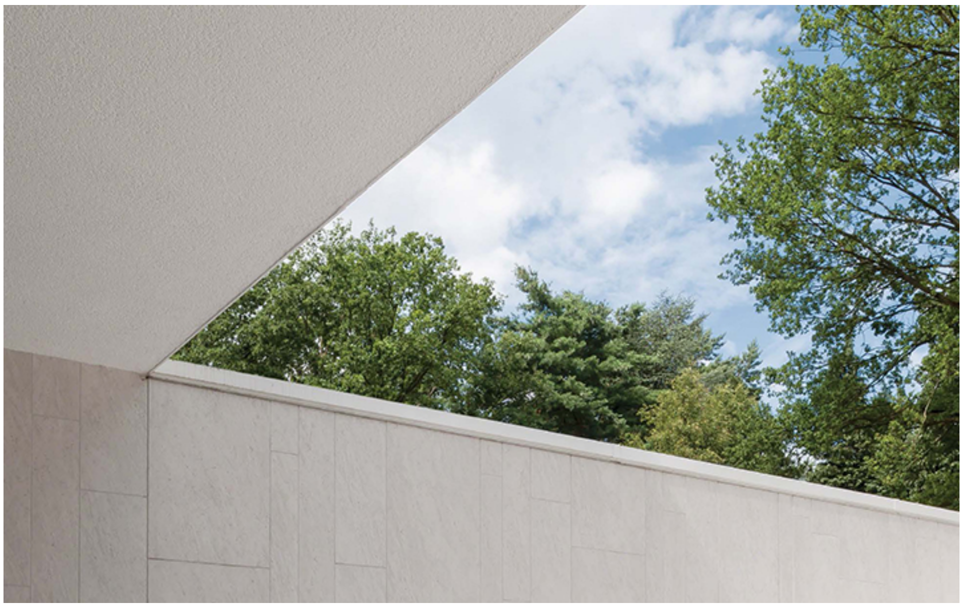
Giving and Investing in Alignment with Jewish Values



This primer was published by the Morgan Stanley Wealth Management Investing with Impact and Philanthropy Management teams

"Charity outweighs all other commandments." — Talmud, Bava Batra

This Too Is for the Good[1]

Perhaps the central questions for all people of faith are: How do we live in the world as good and moral people? What are the values that have been imparted to us through the teachings of our religion, and how do we pass those values down to our children and grandchildren? How should those values inform the way we interact with our families, our communities and the world around us? And, how might those values guide our family and foundation investing and giving decisions? Those raised in the Jewish faith, or observing it by choice, may first ask a more fundamental question: Is there a set of common values that spans the extraordinary diversity of the Jewish people and, if so, what are they?

Two Jews, Three Opinions

To paraphrase the Midrash Tanchuma, an ancient, three-volume commentary, "All Jews are brothers and sisters." But as we well know, brothers, sisters, mothers and fathers sometimes disagree. Judaism is a religion of laws, scholarly inquiry and robust debate over how the teachings of the ancestors are to be interpreted in the modern world. These interpretations may vary across people who identify as Orthodox, Conservative, Reform or Reconstructionist, and there are even likely to be disagreements among different members of the same synagogue.

Some religions have governing bodies that periodically issue faith-based investing and philanthropic guidelines. For example, the United States Conference of Catholic Bishops Investment Guidelines, established in 2003 and updated in 2021, provide a set of guidelines for Catholic values-oriented investors, including dioceses, religious schools, hospitals, families and individuals. The guidelines include specific exclusionary screens and targeted, positive environmental and social impact recommendations but leave room for the interpretations and preferences of specific organizations and individuals. Other Christian denominations, such as Baptist, and leaders of Islamic sects have released their own sets of guidelines based on their interpretations of Sharia[3] and faith-based responsible investing.[4] While many rabbis and Jewish scholars have opined on the subject, Judaism has no direct equivalent that we can identify.

Of course, that does not mean that Jews who wish to practice faith-based philanthropy and investing are without guidance. While discussions of Jewish values may proceed down different paths, they all start at the same wellhead: the Torah. So, it is safe to suggest that a discussion of Jewish values in giving and investing should begin with the word of God.

Five Mitzvot

Looking to the Torah for guidance, any number of commandments and parables might add to the discussion of giving and investing according to Jewish values. While many volumes could be written on the subject, the following five mitzvot, the Hebrew word for "good or praiseworthy deeds," serve as a useful basis for the conversation.[5]

TZEDAKAH
Literally translated as "righteousness," tzedakah speaks to the imperative to give to charity.

TIKKUN OLAM
Defined as "repair the world," tikkun olam evokes the duty to serve those in need.

TZEDEK
Having the same root as tzedakah, Tzedek emphasizes the call to justice and fairness.

G'MILUT CHASADIM
Translated as "loving kindness," g'milut chasadim calls for caring and compassion.

TIKVA
Translated as "hope," tikva reminds us to remain optimistic for the future.

Source: Morgan Stanley Wealth Management Investing with Impact

Tzedakah

> "The greatest good you can do for another is not just to share your riches, but to reveal to him his own." — Benjamin Disraeli

A discussion of Jewish philanthropy might properly begin with the mitzvah of tzedakah, which speaks to the responsibility of all Jews to give to charity. The biblical origin of tzedakah is quite specific. It states the obligation to donate 10% of one's crops to members of the community in need. Many Jews still follow these precepts, donating 10% of their earnings to good works, as do many Christians who tithe a portion of their earnings and Muslims who follow the practice of zakat. Most of the world's other major religions also have prescribed practices for the giving of alms.

Importantly, tzedakah not only refers to the act of giving, but also the intention of the gift and the manner in which it is given. While no act of charity is considered bad, tzedakah commands that gifts be given willingly, proactively and, preferably, anonymously. The great philosopher and rabbi Maimonides codified this hierarchy into eight distinctive levels of righteous charity. In ascending order, these are:

Level 8: The donor is pained by the act of giving.

Level 7: The donor gives less than he should but does so cheerfully.

Level 6: The donor gives after being solicited.

Level 5: The donor gives without being solicited.

Level 4: The recipient knows the donor, but the donor does not know the recipient.

Level 3: The donor knows recipient, but the recipient does not know the donor.

Level 2: Neither the donor not the recipient knows the other.

Level 1: The donor gives the recipient the wherewithal to become self-supporting.

Note that the seven lower levels of charity refer exclusively to giving, while the highest level aligns giving with investing, particularly concerning investments that seek to generate more scalable financial, social and environmental returns. For example, which might we consider to be the higher level of charity: an anonymous gift to a hunger relief program, or a low-interest loan that enables a village to build an irrigation system, which then gets repaid by the community and loaned out to the next village and the next in a virtuous cycle?

Tikkun Olam

> "It is not upon you to finish the work, but you are not free to ignore it." — Mishna, Ethics, 2:21

Introduced in the Lurianic Kabbalah account of creation, tikkun olam is generally translated as either repairing or healing the world. The original text referred to the separation of the spiritual from the physical world, and the "healing" was a sort of return to the spiritual realm. By the 1950s, the term was being adopted in Jewish circles as a call to social action and was likely an inspiration to many American Jews who participated in the civil rights movement of the early 1960s. More recently, Jewish environmental advocates have embraced a more literal version of "repairing the world," believing that tikkun olam suggests a responsibility to mitigate the worst effects of a warming planet.[6] Such notions might guide investment and grant-making policies for Jewish philanthropists, perhaps by employing social or environmental criteria in the construction of investment portfolios to avoid the most serious emitters of carbon—a known cause of weather changes and climate-related disasters, including rising sea levels[7]—and by investing in climate solutions, including resilient infrastructure, energy-efficient building and technology, sustainable agriculture and more.

Tzedek

> "Even without words, our march was worship." — Rabbi Abraham Joshua Heschel on his march in Selma alongside Dr. Martin Luther King Jr., 1965

Tzedek is essentially a call for justice. This mitzvah implies an obligation to broaden our circle of concern, combating injustice wherever we see it—not only where it directly impacts our own community. The mitzvah of tzedek might be seen as being closely allied with the quintessential American belief that all people are entitled to life, liberty and the pursuit of happiness. It has similarly inspired many members of the Jewish community to fight for fair and just court systems around the world, protecting the rights of the underprivileged.

Tzedek not only calls on Jews to oppose injustice, but to be conscientious of their own biases and to be fair in their own dealings. From the investment perspective, this may suggest a commitment to understanding the governance policies and social impact of the companies we may support with our investment capital and to evaluate the composition of boards and staff, seeking diversity by race, age and gender.

G'milut Chasadim

> "Whoever gives the poor money is blessed sixfold; whoever does it with a kind word is blessed sevenfold." — Talmud, Bava Batra

If tzedakah dictates that the intentionality of charity is of equal importance as the amount, g'milut chasadim commands that Jews not only give their time, but that they do so with genuine compassion. Comforting a family sitting shiva, the weeklong mourning period following the death of a first-degree relative, for example, is a quintessential act of g'milut chasadim. Another expression of g'milut chasadim in the Jewish community is the thousands of voluntary organizations that commit themselves to supporting the sick and elderly members of society, irrespective of color, creed or faith. Many of these organizations have been built on the tradition of Jewish self-help to provide for the welfare of Jews and gentiles alike. The hundreds of Jewish medical centers around the country might be seen as a tangible monument to this compassion.

Our consideration of g'milut chasadim might also inform decision-making around how to commit intellectual capital, as well as financial capital, to the organizations we support. How might your empathies instruct how and where you commit your time to effect the change we would like to see in the world?

Tikva

> "Judaism's profound conviction is that many of the tragic elements of the everyday world are not immutable, that little by little the world can and must be improved." — David Arnow[8]

Tikva is the call to remain optimistic, regardless of the circumstances. The countless trials and tribulations Jews have endured over the centuries, from petty name-calling to the horrors of the Holocaust, have done little to dampen the inexhaustible drive to endure, overcome and move forward toward a more promising future. It may be worth considering if this resilience endows the Jewish people, and all people, with an opportunity and a responsibility to reach out to those who have little reason to hope, and how we might inspire others to have hope and drive change in the world.

Initiating a Meaningful Conversation

Reflecting our commitment to improving the world, in 2018 Morgan Stanley hosted the first Jewish Values Consortium client series in New York, Los Angeles and southern Florida. These events were attended by over 250 Jewish philanthropists and community leaders representing their families, Jewish federations and Jewish-intersectional nonprofits. Our goal was to provide opportunities for these "brothers and sisters" of the Jewish community to discuss what constitutes Jewish values, to honor disagreement and to seek common ground. Rather than trying to reach a consensus among all attendees, our goal was to provide a platform for participants to consider how they might integrate Jewish values thoughtfully into their giving and investing decisions. Just as everyone should establish a unique set of financial goals alongside a Financial Advisor, Private Wealth Advisor or Institutional Consultant, investors seeking to align their capital with Jewish values need to establish a process to determine their own priorities. At each of these events, we were fortunate to have a rabbinical authority present who shared an understanding of Jewish history and text with which to ground the discussions. A respected academic, author and religious leader, Rabbi Darren Levine, invited attendees to examine their philanthropic and investment practices through the lens of select scriptural passages. He offered the following Pirkei Avot (a compilation of ethical teachings and maxims by rabbis mentioned in the Talmud) and prompts to spark focused discussions on philanthropy, investment and values alignment. Perhaps these might form the basis for a similar values-based conversation with your family, or the board of your foundation or federation. Since this initial gathering, we have continued to partner with investors of Jewish faith, to help them align their investments with their unique priorities.

1. How do you assume responsibility?

Talmudic Prompt: *"He used to say: 'If I am not for myself, who is for me? If I care only for myself, what am I? If not now, when?'" — Pirkei Avot 1.14*

Conversation: "If not now, when?" suggests both an urgency to accomplish something and that it is your responsibility to accomplish it. In your life and work, what requires urgency and what values inform the personal responsibility you are bringing to accomplish the goal?

2. What is your giving purpose?

Talmudic Prompt: *"Rabban Simeon ben Gamaliel said: 'The world is established on three principles: truth, justice and peace.' As it is said: 'You shall administer truth, justice and peace within your gates.'" — Pirkei Avot 1.18*

Conversation: If Jewish values singularly influenced your investing and philanthropy agenda, which of the three values (truth, justice or peace) would you draw upon most and why? Or, is there another value that is more important?

3. What is the goal?

Talmudic Prompt: *"Rabbi Tarfon said: 'The day (life) is short; the task great; the workmen (human beings) are lazy; the reward is great, and the Master is insistent.'" — Pirkei Avot 2.20*

Conversation: The wise sage Rabbi Tarfon teaches that life is short but that the reward is great. With your day/ life, what is the most important goal you have for your philanthropy and investing, and what Jewish values inspire your goal?

4. What did you inherit?

Talmudic Prompt: *"Akavyah ben Mahalalel said: '. . . know from whence you came, whether you are going, and before whom you are destined to give a strict account.'" — Pirkei Avot 3.1*

Conversation: Many people inherit their values from parents and family members. What are the Jewish values that you inherited that influence your investing and philanthropic approach?

5. Is there value in one good deed?

Talmudic Prompt: *"Simeon ben Azzai said: 'Run to performeven a minor mitzvah ... for one good deed draws in another good deed, and one transgression leads to another; for the reward of a good deed is a good deed, and the reward of sin is sin.'" — Pirkei Avot 4.2*

Conversation: Jewish values suggest that one good deed leads to another. How could you imagine your investment and philanthropy creating a "domino effect" of good deeds and actions?

A Brief History of Jewish Philanthropy

> "In Jewish history, there are no coincidences." — Elie Wiesel

The Jewish people have long had formal mechanisms for philanthropy, particularly in regard to caring for other Jews in need. Some of these practices are explicitly prescribed in the Hebrew Bible, such as in Leviticus 19:9-10: "And when you reap the harvest of your land, you shall not reap all the way to the edges of your field, or gather the gleanings of your harvest. You shall not pick your vineyard bare, or gather the fallen fruit of your vineyard; you shall leave them for the poor and stranger. I am the Lord your God."[9]

Over the centuries, the mitzvah of tzedakah has inspired many other philanthropic practices that continue to this day. For example, a tradition called "pushke" arose in the shtetls of Europe. This custom refers to a traditionally small, blue-and-white tin box kept in the home for the deposit of coins to be given as charity. Such individual efforts steadily grew into larger collective actions over time as Jewish communities around the world banded together to take care of others in their communities.

While the self-sufficient Jewish community of New Amsterdam in 1654 might be considered the first American Jewish federation, that honor is usually attributed to Associate Jewish Philanthropies, a Boston federation formed in 1895. In close order, other federations were formed in virtually all of the American cities where communities of newly arrived Jews settled. By 1932, the National Council of Jewish Federations and Welfare Funds was established to coordinate efforts between these individual federations. The United Jewish Appeal was founded in 1939 as a national organization.

From their earliest days, Jewish federations provided vital social services to the Jewish community—from summer camps for children to retirement homes for the elderly. The federations have also served as essential pillars of support for Israel from its founding in 1948 to the present day.

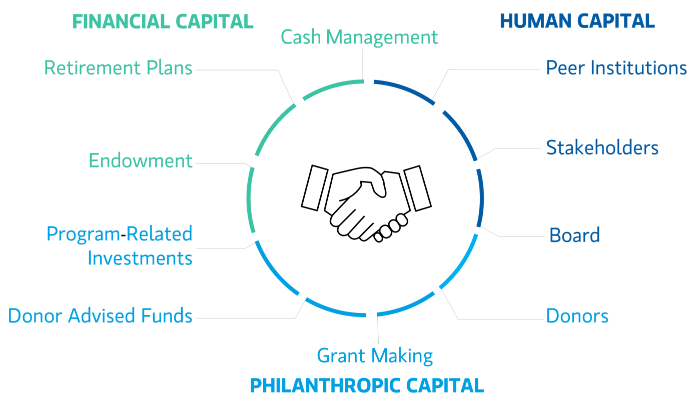
While specifically Jewish nonprofits are still an important focus, there are also indications that Jewish giving is following the general philanthropic trend toward disintermediation. In particular, younger generations of Jewish philanthropists are less inclined to focus their giving on Jewish communal organizations and more likely to contribute directly to the causes they support. While their philanthropy may still be greatly influenced by their Jewish values and heritage, they seek greater control over the beneficiaries of their grant-making and over the composition of their foundation endowments.

As we have explored above, the mitzvot pertaining directly to charity suggest that the ways we give and motivations for giving are of equal importance to how much we give, or even to what ends. In other words, Jewish values may not only guide philanthropic objectives, but also philanthropic practices. This ancient notion is closely related to a very modern, values-aligned approach to strategic philanthropy.

Maximizing Jewish Values-Aligned Capital

In recent years, those responsible for overseeing capital for charitable purposes are increasingly seeking to amplify the impact of their philanthropy by also investing in opportunities that are closely aligned with their core mission and values, guided by a broad range of faiths including Judaism, and have the potential to meet financial goals. The rapid expansion of these practices—what we refer to broadly at Morgan Stanley as Investing with Impact—holds the potential to help scale solutions to some of the greatest challenges of our times. To serve individuals, families, foundations, federations and other charitable institutions, Morgan Stanley has defined a process called Mission Align 360°.

Exhibit 1: Capital Available for Total Mission-Alignment



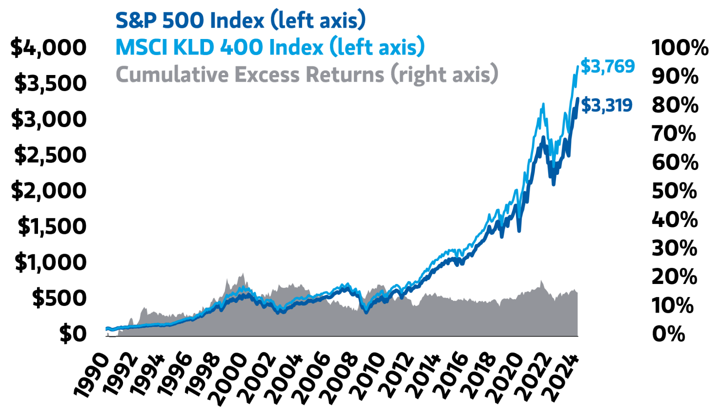
Source: Morgan Stanley Wealth Management Investing with Impact

This proprietary process provides a road map to examining and coordinating all sources of capital so that they align with a customized mission to help maximize positive environmental and social impact. Shown in Exhibit 1, these pools of capital may include:

- **Financial Capital:** Investments that seek to meet long-term financial goals alongside positive environmental and social impact in alignment with mission.
- **Human Capital:** The collective skills, talents, knowledge or other intangible assets of families and organizations that drive decision-making across all pools of capital.
- **Philanthropic Capital:** Capital that has no—or a low—expectation of financial return, such as grant-making and program-related investments targeting mission alignment.

Leveraging the full spectrum of human, philanthropic and financial capital can help individuals, families and institutions address global challenges, such as poverty alleviation, access to education, health care and more. As shown in Exhibit 3, financial and philanthropic capital approaches stretch across a spectrum from minimizing misalignment to increasing direct impact. In the next section, we will dive into ways your Financial Advisor, Private Wealth Advisor or Institutional Consultant can help you integrate these unique approaches into your investment portfolios.

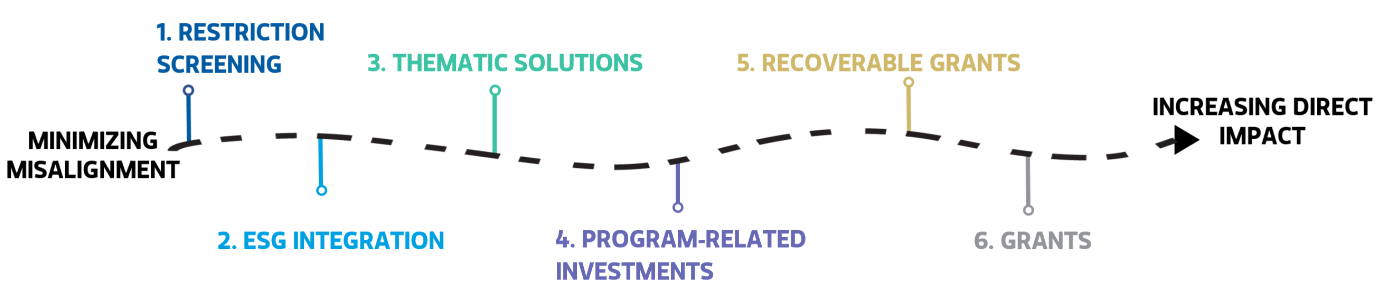
Exhibit 2: Performance of Sustainable versus Traditional Indexes[10]



Source: Bloomberg, MSCI, Morgan Stanley Wealth Management
Note: April 30, 1990–June 30, 2024 (Single Computation) Cumulative Return (%)

Creating mission-alignment across pools of capital is being enabled by a few factors including an increasing number of investment strategies that incorporate environmental and social criteria and the ability to target and measure specific impact goals in addition to targeting competitive financial returns.[11] As seen in Exhibit 2, indexes that incorporate environmental, social and governance (ESG) factors have generally performed in line with, or better than, conventional indexes. For example, $100 invested in 1990 in line with the constituents of the MSCI KLD 400 Social Index, which incorporates environmental and social criteria, would have grown to $3,769 through June 30, 2024. This compares to $3,319 invested in line with the S&P 500 Index.[12]

Exhibit 3: Jewish Values-Aligned Financial and Philanthropic Capital Approaches



Source: Morgan Stanley Wealth Management Investing with Impact

An Illustrative Case in Point

To provide a practical illustration, let's say that a prominent Jewish family foundation based in the United States is focused primarily on providing access to quality and affordable health care for all. Its board, composed of both family and independent members, in collaboration with their Financial Advisor, Private Wealth Advisor or Institutional Consultant, has focused on its fiduciary responsibilities, and its investment portfolios have consistently generated the cash flow needed to fund its grant-making to both Jewish and secular hospitals and research institutes globally. The matriarch and patriarch of the family, who established the foundation, believe that family charity is an important tool for transferring their values down through generations. That vision is shared by their children and grandchildren, who currently sit on the board, and is being instilled in their other children, who are being exposed to the tremendous work of the family foundation and may be future board members.

Now let's say that they decide to devote a board meeting to examining their giving and investing practices from the lens of aligning with their mission and Jewish values. Where might that discussion begin, and where could it lead?

Arguably the best place is to start by looking inward. The board members might ask whether they and their program and investment staff are in agreement on the foundation's mission statement and how it might evolve in the future. The board might ask how Jewish values intersect with the broader mission around access to health care, and influence hiring and board-recruitment practices. They might also examine how trustees, staff and grantees are all expected to work together to build a culture to support mission alignment across every area of the foundation.

Given their focus on access to health care for all, their discussion on tzedek might inspire them to consider expanding the scope of their grant-making activities by partnering with other like-minded institutions and philanthropic families to source collective opportunities to build impact at scale.

They might work with Morgan Stanley Philanthropy Management to examine their grant-making portfolio and determine if their grantees' work supports their efforts in building synergies between their Jewish values and projects.

The board may also reflect on their invested capital and whether it is working for or against their mission. Through discussion and education, the board may decide that there is a business and programmatic case to be made for allocating some of the investment portfolio toward mission-aligned investments to help further the work of the foundation. This could be formalized through the creation of a mission-aligned investment policy statement that clearly articulates the mission-aligned and faith-based goals of the foundation alongside their financial goals. Working with their Financial Advisor, Private Wealth Advisor or Institutional Consultant to structure a portfolio to pursue their financial goals in terms of asset allocation and manager selection, board members may look to include investments in publicly traded companies that generate revenue from innovative health care technologies, medical drug discoveries, access to medicine for low-income populations globally and bonds that fund hospitals in impoverished communities.

Board members might also consider directing their third-party asset managers to either exclude or, alternatively, engage with investments in companies that are contributing to negative health care outcomes, such as tobacco manufacturers or others that might be misaligned with their Jewish values—for example, companies with major investments in countries that have not recognized Israel's right to exist.

> "Our lives are fashioned by our choices. First, we make our choices. Then our choices make us." — Anne Frank

Approaches to Jewish Values-Aligned Investing

Attendee polling at prior Morgan Stanley Jewish Values Consortiums revealed a widespread interest in aligning investment policies and practices with personal or organizational missions.

Financial capital can be activated across a spectrum of approaches that seek market-rate returns to support the short and long-term financial goals of the investor. These approaches can be customized to generate broad-based positive environmental and social impact, and/or to target specific mission alignment and faith-based objectives. Investments are available across public and private asset classes, geographies and product types, including separately managed accounts (SMAs), mutual funds and exchange-traded (ETFs).

When evaluating investment strategies, we developed a framework (see Exhibit 4), that evaluates the intentionality of the investment process, influence through shareholder engagement, and inclusion, as represented by diverse ownership at the asset manager level. We refer to this as the "Three I's of Impact."

Exhibit 4: Investing with Impact Framework

The Three I's of Impact: Intentionality, Influence and Inclusion; customizable to a client's unique goals, represent the range of approaches that investors can pursue across asset classes to maximize positive impact.

INTENTIONALITY

Intentional investment process that seeks to generate market-rate returns alongside positive social and environmental impact in one or more of the following ways:

← Minimize Objectionable Impact ——— Generate Targeted Impact →

Restriction Screening:	ESG Integration:	Thematic Solutions:
Reduce or seek to eliminate exposure to companies that detract from intended positive impacts	Consider environmental, social and governance factors in the investment process	Evaluate companies on revenue generated from products & services that seek to contribute to sustainability solutions

INFLUENCE

Modify the behavior of portfolio companies to seek better social and environmental outcomes and drive industry capabilities through:

Active Ownership can be achieved through management dialogue, strategy setting, proxy voting, resolution filing and filling board seats

Market Building seeks to influence the industry through collaborative affiliations and adopting global frameworks

INCLUSION

Diverse perspectives can help guide the intentional investment process and engagement activities, or influence, through:

Diverse Firm Ownership*

and/or

Diverse Representation Across Investment Professionals

Source: Morgan Stanley Wealth Management Investing with Impact as of March 2024
Note: *Morgan Stanley's Global Investment Manager Analysis team defines diverse asset managers as those with 33% or greater ownership by women and/or racially/ethnically diverse individuals. The categories that make up the racially/ethnically diverse individuals as defined by Morgan Stanley align with those of the U.S. Equal Employment Opportunity Commission and includes: Hispanic or Latino, Black or African American, Asian, American Indian or Alaska Native, or Native Hawaiian or other Pacific Islander.

Intentionality

Investment strategies—including those that are aligned with Jewish values—can take one of the following approaches to intentionality:

Restriction Screening is the identification and avoidance of exposure to companies or debt issuers that directly contradict the mission and impact goals of the family or foundation. For example, a family reflecting on tikkun olam might interpret this to mean excluding companies with poor environmental or human rights records. Other investors may seek to divest from certain geographies—including, but not limited to, exclusion of investments in companies with major operations in countries that do not recognize Israel's right to exist. There are many other available restriction screens, the most common of which are industry-level focused tobacco manufacturers and civilian weapons manufacturers. Investors may elect to employ restriction screens as a result of a set of moral or ethical guidelines, or as an approach to mitigating potential risk. Restriction screens can be implemented by the investment strategy or by utilizing Morgan Stanley's restriction overlay screening capabilities for separately managed accounts (SMAs) and single-stock portfolios. Restriction screen investments are available across all asset classes and tend to be differentiated by definition (including revenue threshold) and data source and impact reporting.

Examples include:

- SMAs, mutual funds and ETFs that employ restriction screens to exclude investment in geographies, sectors or companies that are misaligned with Jewish values. For example, screening out defense companies that are the top suppliers to Arab Boycott League countries or that are environmental bottom performers.

Environmental, Social and Governance ("ESG") Integration is the effort to leverage financially material data regarding the sustainable corporate practices of companies in order to identify opportunities and mitigate risks. ESG integration tends to generate broad-based positive impact versus creating targeted impact in a defined or thematic issue area. ESG data comes from a variety of proprietary and third-party sources, and might include environmental carbon disclosures, employee policies, product and employee safety, diversity of management and board of directors, community involvement and more. ESG data is selected by the Investment Manager based on availability and materiality of data to the future performance of companies in which you are investing. There are ESG-integrated investment strategies across all asset classes.

Examples include:

- Broad-based, ESG-integrated mutual fund focused on companies in emerging markets with strong governance practices, particularly if the mutual fund also employs shareholder engagement as a tool to continually improve the practices of the companies in which the strategy is invested.
- Equity ETF that focuses on companies with better-than industry-norm gender diversity in the form of employee practices and policies, as well as representation in senior management and on the board of directors.

Thematic Solutions focus on sectors of the market dedicated to addressing specific objectives in a manner that is consistent with the investor's mission and faith-based goals. This approach often focuses on investing in companies that are developing products and services that are generating positive impact and advancing solutions to global, social, and environmental challenges. Investments can be made across asset classes and align with a wide range of themes—such as climate change and fossil fuel-aware solutions, including water and energy solutions, diversity and inclusion, community economic development and more. In the case of Jewish values with a focus on Israel, investors may elect to invest in an equity strategy that tracks the Tel Aviv market index or a bond strategy that finances Israeli climate-related infrastructure projects. This approach may involve some degree of additional concentration risk, given the potential specific sector focus, and should be implemented in coordination with a holistic approach to total portfolio construction, asset allocation and manager selection.

Qualified investors can also access private investment strategies across both equities and debt. Private market investments can span geographies, thematic-issue areas and populations of focus.

Examples of thematic solutions strategies include:

- Custom SMAs made up of global publicly traded companies whose global operational and governance practices are aligned with Jewish values. Criteria for customization can be selected by each organization or family.
- Israeli bonds and/or companies with high levels of involvement in Israel.
- An emerging markets private equity fund focused on providing access to affordable and low-carbon energy sources for the poorest populations globally.

Influence

Described further in Exhibit 5, in an investment context can mean engaging with companies' management, voting proxies and filing shareholder resolutions based on broad environmental, social and governance practices and/or defined Jewish values. Investors can also create custom engagement portfolios in partnership with organizations such as JLens, a Jewish-lens investing network, to pursue specific advocacy efforts based on Jewish communal concerns.

To better integrate intentionality and influence into your investment practice, Morgan Stanley created Impact Signal—one of the industry's first holistic manager-scoring tools. This tool allows us to evaluate over 15,000 funds and separately managed accounts globally on the strength of their investment process and environmental and social impact. A Financial Advisor, Private Wealth Advisor or Institutional Consultant can use Impact Signal during the portfolio construction process to prioritize strategies that have a strong impact signal.

Exhibit 5: Advancing Values and Mission-Alignment Through Influence

Impact Opportunity	Overview
PROXY VOTING Voting on company resolutions	Broadly supporting environmental, social and governance resolutions. For example, a resolution that encourages increasing the diversity of the board. Voting against a resolution to support Boycott, Divestment, Sanctions movement. Supporting a board candidate with a strong commitment to the global Jewish Community.
SHAREHOLDER ENGAGEMENT Dialoguing with companies and filing resolutions	Hiring an investment manager that frequently engages with the leadership of the companies in your portfolio, to influence business strategy and corporate behavior. For example, dialoguing with a company to disclose its pay gap across demographics and ethnicities.
REPORTING Disclosing investment impact	Using an impact report or shareholder report that quantitively and qualitatively measures the outcomes generated by the investment. For example, the number of affordable housing units funded by bond to government housing authority.
INDUSTRY AFFILIATIONS Contributing to external discussions about key issues	Entering industry discussion on investments in Israel. Supporting progress of the Sustainability Accounting Standards Board, which seeks to develop a framework for corporations to regularly report on the most financially material environmental and social issues.
GIVING CIRCLES Engaging in collective action	Sharing knowledge of new strategies for investing in global health solutions. Leveraging external experts to bring forward potential funding, advocacy and mission-aligned investments as a group.

Source: Morgan Stanley Wealth Management Investing with Impact

In addition to giving and investing their dollars, investors of all sizes have opportunities to further their values or the missions of their organizations and generate positive impact through a variety of individual and collective actions.

Inclusion

A key component of our Investing with Impact framework outlined in Exhibit 4, is defined as investing in strategies managed by firms that are diverse owned[13] and/or have diverse representation across investment professionals.

There remains a significant disparity in capital invested in firms owned or led by diverse professionals. According to a Knight Foundation study, only 1.4% of total U.S.-based assets under management are managed by diverse owned firms as of September 2021.[14] In this context, we see diversity at the asset manager level as an opportunity for investors. In a Harvard Business Review article, David Rock and Heidi Grant pointed out that diverse teams tend to process information more logically and carefully, while achieving a higher degree of innovation.[15] Similarly, analysis from Morgan Stanley & Co. Research has shown that firms with more diversity have outperformed less diverse peers.[16] To help address this area of focus for our clients, including those whose Jewish values seek to advance equity for all, Morgan Stanley developed tools to measure diversity, equity, and inclusion (DEI).

Morgan Stanley launched DEI Signal, a quantitative scoring tool used to help create change and identify asset managers that are showing progress in advancing diversity. DEI Signal harmonizes more than 30 diversity data points that we collect from more than 400 asset managers representing 70% of the world's invested capital. The methodology focuses on both policies and procedures to support an inclusive and diverse workforce as well as diverse representation, benchmarked against the U.S. Census. Manager selection should always be executed using a rigorous framework; however, allocation of capital to strategies with diverse managers can potentially help and improve gender DEI within the capital markets and potentially position portfolios for more optimal performance.

Portfolio Construction

Utilizing the framework outlined in Exhibit 4, there are opportunities to invest with a Jewish Values lens across all asset classes. Jewish Values-aligned investment strategies can activate a portion of a portfolio, complement an existing portfolio or be the basis of a total diversified portfolio (see Exhibit 6). The integration of Jewish Values-aligned criteria into an investment portfolio should be considered alongside traditional asset allocation and overall investment strategy decisions. Morgan Stanley Financial Advisors can work with clients to determine an appropriate portfolio solution that integrates Jewish Values objectives alongside financial goals and risk tolerance.

Partial Portfolio

A partial portfolio solution may be appropriate for investors who wish to actively consider Jewish Values as part of their existing asset allocation. They can integrate a Jewish Values across asset classes, where available and appropriate. Investments that actively incorporate Jewish Values or other impact criteria may exist within a portfolio alongside investments that do not.

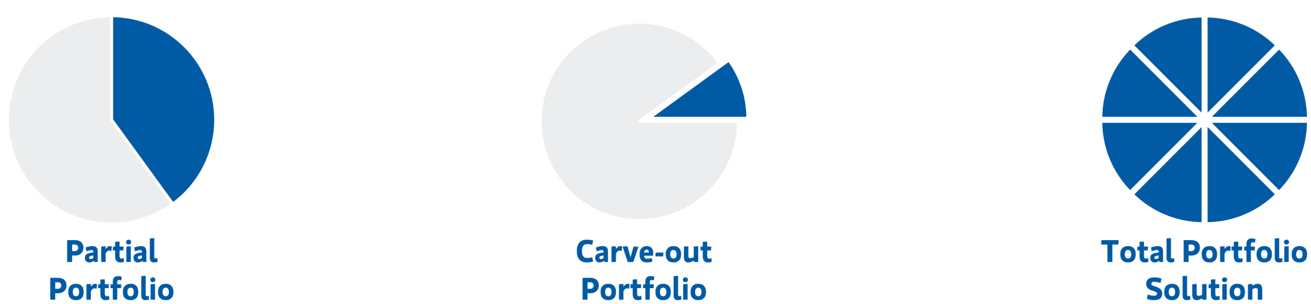
Carve-Out Portfolio

An investment portfolio carve-out may be appropriate for investors who wish to set aside a dedicated portion of their portfolio to integrate and/or promote Jewish Values. That could represent 1-10% of the portfolio with potential to grow over time. Which asset classes to include will be informed by the availability of market-rate products and strategies. Investors will need to consider whether and how to evaluate racial equity outcomes associated with these dedicated investments.

Total Portfolio Solution

A total portfolio approach would seek to activate all market-rate investments across asset classes towards Jewish Values. This approach depends upon the financial goals and availability of Investing with Impact strategies that incorporate Jewish Values-aligned criteria.

Exhibit 6: Portfolio Construction Approaches



Source: Morgan Stanley Wealth Management Investing with Impact

We have built a multi asset class, diversified Investing with Impact Portfolios. These portfolios have a broad sustainability mandate and may align with criteria that aligns with investors interpretation of Jewish Values.

Monitoring Progress of a Jewish Values Strategy

A key component of Jewish values Investing is monitoring and reporting progress. Morgan Stanley launched an award-winning[17] and patented[18] application—Morgan Stanley Impact Quotient® (Morgan Stanley IQ®)—that captures a client's unique impact preferences and delivers multidimensional reporting on the investment portfolio's alignment with objectives and exposure to issues of concern. With this application, Financial Advisors, Private Wealth Advisors and Institutional Consultants can work with clients to identify key Jewish values-related impact goals, and periodically report on how the client's portfolio is aligned with those goals. If misalignment is identified, Morgan Stanley IQ® can also be used to adjust portfolio holdings to help improve alignment.

Approaches to Jewish Mission-Aligned Philanthropy

Philanthropic capital has the potential to have the greatest direct impact on mission alignment, as shown in Exhibit 3, through the following approaches:

- **Program-Related Investments** employ various financing methods to achieve the mission of the family or foundation. These might include loan guarantees, lines of credit, equity investments and others. While these investments may generate income, their primary objective is to further the philanthropic mission. For example one might make a small, low-interest loan to an agricultural co-op in a developing country.
- **Recoverable Grants** are a philanthropic tool that offer donors the potential to recover granted capital if the recipient charity meets a predetermined success scenario. Any funds recovered can then be used for future grant-making. Recoverable grants can be a powerful tool for situations in which charity experiences a funding gap, wants to scale its impact quickly or needs funding to support high-risk innovation. Recoverable Grants to Blue Forest's catalyst facility, for example, align with the Jewish concept of bal tashchit, "do not destroy," emphasizing the importance of preserving the earth's natural resources and avoiding their needless destruction.[19]
- **Grants** are a donation of nonrepayable funds to nonprofit entities, and in some cases individuals, that advance the mission of the family, foundation or donor-advised fund. Jewish values-aligned philanthropists make donations to a broad spectrum of Jewish and secular medical, educational, arts and cultural, environmental and social organizations.

Jewish Values in Action, Now and in the Future

Maimonides instructed his community to "give graciously, cheerfully and sympathetically." In the modern context, it might be wise to add, "and invest wisely, efficiently and in accordance with your values." At Morgan Stanley, we have been working to support these efforts. Through our extensive research and series of Jewish Values Consortium events held nationwide, we have heard from religious leaders and scholars, individual philanthropists and board members of Jewish federations. Our goal is to create a giving and investing framework that leads to clear action, yet is flexible enough to accommodate a broad range of financial, impact and faith-based goals.

We have also created efficient mechanisms to implement the decisions of those who are moving forward with a mission-aligned approach. Working as an extension of our Financial Advisor, Private Wealth Advisor or Institutional Consultant teams, Morgan Stanley Philanthropy Management and Investing with Impact teams can support efforts to align pools of capital with mission and faith-based objectives. These efforts include helping you engage members of your family or future leaders of your organization in conversations about family wealth, values and the intersection between them. Our goal in creating this guide is to help facilitate meaningful conversations about the religious wellspring of these values among families, boards, and the Financial Advisors, Private Wealth Advisors and Institutional Consultants who serve them.

Morgan Stanley's Investing with Impact and Philanthropy Management collaborate to advise clients seeking to better align and leverage their financial and philanthropic capital to generate positive impact across the entire capital spectrum.

Investing with Impact

Launched in 2012, the Investing with Impact Platform delivers comprehensive and holistic wealth solutions for our clients that seek to align their investments with their values. Working with a Financial Advisor, Private Wealth Advisor or Institutional Consultant, clients can identify a solution that is specific to their financial and impact goals, leveraging the firm's market position as one of the leading Wealth Management firms.

Philanthropy Management

Established in 1998, Morgan Stanley Philanthropy Management supports individuals, families, corporate and private foundations, and nonprofit organizations by offering a suite of advisory services, publishing thought leadership and hosting experiential opportunities to help clients define and realize their charitable goals. The team assists individual and family clients in areas such as mission and vision creation, grantee research and due diligence, and philanthropic legacy and succession planning while advising nonprofit clients on topics such as fundraising strategy, strategic planning, and board governance, recruitment and development.

Endnotes

[1]Nachum Ish Gamzu, Talmud, Taanit, 21a.

[2]United States Conference of Catholic Bishops. Socially Responsible Investment Guidelines. November 2021. https://www.usccb.org/resources/Socially%20Responsible%20Investment%20Guidelines%202021%20(003).pdf.

[3]Board, Islamic Financial Services. Defining New Standards in Islamic Finance. n.d. https://www.ifsb.org/.

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[5]Darren D. Levine. "Positive Judaism." Wisdom for a Life of Happiness and Wellbeing. 2017. https://www.google.com/search?q=Levine,+Darren+D.%3B+Positive+Judaism+Wisdom+for+a+Life+of+Happiness+and+Wellbeing.&rls=com.microsoft:en-US&ie=UTF-8&oe=UTF-8&startIndex=&startPage=1&gws_rd=ssl.

[6]My Jewish Learning. "Tikkun Olam: Repairing the World." My Jewish Learning. n.d. https://www.myjewishlearning.com/article/tikkun-olam-repairing-the-world/.

[7]Morgan Stanley Institute for Sustainable Investing. Protecting Real Assets Amid Climate Extremes. September 11, 2018.

[8]Arnow, David. "Reflections on the Family, Tzedakah and Transmitting Jewish Values." Sh'ma: A Journal of Jewish Ideas (Stanford Berman Jewish Policy Archive), November 1993: 3-6.

[9]Gunther W. Plaut. The Torah: A Modern Commentary/English Opening. Union of American Hebrew Congregations, 1981.

[10]Morgan Stanley Institute for Sustainable Investing. Sustainable Reality: Analyzing Risk and Returns of Sustainable Funds. New York: Morgan Stanley, 2019.

[11]Source: Bloomberg, MSCI, Morgan Stanley Wealth Management.

[12]Source: Bloomberg, MSCI, Morgan Stanley Wealth Management.

[13]Morgan Stanley's Global Investment Management Analysis (GIMA) team, defines diverse asset managers as those with 33% or greater ownership by women or racial/ethnic diverse individuals. This definition aligns with the US Equal Employment Opportunity Commission categories and includes: Hispanic or Latino, Black or African American, Asian, American Indian or Alaska Native, Or Native Hawaiian or other Pacific Islander.

[14]"Knight Diversity of Asset Managers Research Series: Industry." Knight Foundation. December 7, 2021. https://org/reports/knight-diversity-of-asset-managers-research-series-industry/

[15]Grant, Heidi and David Rock. "Why Diverse Teams Are Smarter," Harvard Business Review, Nov. 4, 2016.

[16]https://www.mckinsey.com/featured-insights/diversity-and-inclusion/diversity-wins-how-inclusion-matters

[17]"Morgan Stanley Wins Three Industry Awards from Money Management Institute and Barron's for Innovation in Investment Advisory Solutions," https://www.morganstanley.com/press-releases/morgan-stanley-winsthree industry-awards-from-money-management-/

[18]Morgan Stanley Impact Quotient® is a patented ("US Pat. No. 11,188,983") technology that enables you to align client portfolios with unique social and environmental impact goals.

[19]For additional information regarding MS GIFT's Recoverable Grants program and Blue Forest, please visit https://capshift.com/msgift/.

Disclosure Section

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

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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.

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 Jewish values-aligned and environmental, social, and governance-aware investments (ESG) investments including diversity equity and inclusion (DEI) may be lower or higher than a portfolio that is more diversified or where decisions are based solely on investment considerations. Because Jewish values-aligned, ESG and DEI 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 Jewish values-aligned, ESG or DEI criteria in their investment strategy. There can be no guarantee that a client's account will be managed as described herein.

Risk Considerations

Environmental, Social and Governance-Aware Investments (ESG)

Certain portfolios may include investment holdings that takes into account one or more **Environmental, Social and Governance ("ESG") factors (referred to as "ESG investments")**. For reference, environmental ("E") factors can include, but are not limited to, climate change, water, waste, and biodiversity. Social ("S") factors can include, but not are not limited to, employees, diversity & inclusion, cyber security, data privacy, health & wellness, supply chains, product safety & security, community engagement, and human rights. Governance ("G") factors can include, but are not limited to, board structure & oversight, leadership composition, pay and incentive structures, corruption & bribery, ethics & business conduct, shareholder rights, accounting & audit practices, tax evasion, and risk management. You should carefully review an investment product's prospectus or other offering documents, disclosures and/or marketing material to learn more about how it incorporates ESG factors into its investment strategy.

ESG investments may also be referred to as sustainable investments, impact aware investments, socially responsible investments or diversity, equity, and inclusion ("DEI") investments. It is important to understand that ESG definitions and criteria used within the industry can vary, and ESG ratings of the same subject companies and/or securities can vary among different ESG ratings providers for various reasons including. differences in definitions, methodologies, processes, data sources and subjectivity among ESG rating providers when determining a rating. Certain issuers of investments including, but not limited to, separately managed accounts ("SMAs"), mutual funds and exchange traded funds ("ETFs") may have differing and inconsistent views concerning ESG criteria where the ESG claims made in offering documents or other literature may overstate ESG impact. Further, socially responsible norms vary by region, and an issuer's ESG practices or Morgan Stanley's assessment of an issuer's ESG practices can change over time.

Portfolios that include investment holdings deemed ESG investments or that employ ESG screening criteria as part of an overall strategy may experience performance that is lower or higher than a portfolio not employing such practices. Portfolios with ESG restrictions and strategies as well as ESG investments may not be able to take advantage of the same opportunities or market trends as portfolios where ESG criteria is not applied. There is no assurance that an ESG investing strategy or techniques employed will be successful. Past performance is not a guarantee or a dependable measure of future results. For risks related to a specific fund, please refer to the fund's prospectus or summary prospectus.

Investment managers can have different approaches to ESG and can offer strategies that differ from the strategies offered by other investment managers with respect to the same theme or topic. Additionally, when evaluating investments, an investment manager is dependent upon information and data that may be incomplete, inaccurate or unavailable, which could cause the manager to incorrectly assess an investment's ESG characteristics or performance. Such data or information may be obtained through voluntary or third-party reporting. Morgan Stanley does not verify that such information and data is accurate and makes no representation or warranty as to its accuracy, timeliness, or completeness when evaluating an issuer.

Morgan Stanley's assessment of an issuer's ESG practices or an ESG portfolio is as of the date of this material. No assurance is provided that the underlying assets have maintained or will maintain any applicable ESG designations or any stated ESG compliance, or that the underlying assets have been operated or will be operated in an ESG-compliant manner. The ESG impacts of the securities and any underlying assets may vary over time.

This can cause Morgan Stanley to incorrectly assess an issuer's business practices with respect to its ESG practices. As a result, it is difficult to compare ESG investment products.

Morgan Stanley makes no representation as to the compliance or otherwise of any fund or portfolio with any laws or regulatory guidelines, recommendations, requirements or similar relating to the ESG characterization of any fund or portfolio, or in connection with or to meet any of your investing ESG objectives, metrics or criteria.

The appropriateness of a particular ESG investment or strategy will depend on an investor's individual circumstances and objectives. Principal value and return of an investment will fluctuate with changes in market conditions.

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. 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; and Risks associated with the operations, personnel, and processes of the manager. Further, opinions regarding Alternative Investments expressed herein may differ from the opinions expressed by Morgan Stanley Wealth Management and/or other businesses/affiliates of Morgan Stanley Wealth Management.

Certain information contained herein may constitute forward-looking statements. Due to various risks and uncertainties, actual events, results or the performance of a fund may differ materially from those reflected or contemplated in such forward-looking statements. Clients should carefully consider the investment objectives, risks, charges, and expenses of a fund before investing.

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.

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Private equity funds typically invest in securities, instruments, and assets that are not, and are not expected to become, publicly traded and therefore may require a substantial length of time to realize a return or fully liquidate. They typically have high management, performance and placement fees which can lower the returns achieved by 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 with significant lock-up periods and no secondary market, 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.

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.

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. Investing in an international ETF also involves certain risks and considerations not typically associated with investing in an ETF that invests in the securities of U.S. issues, such as political, currency, economic and market risks. These risks are magnified in countries with emerging markets, since these countries may have relatively unstable governments and less established markets and economics. ETFs investing in physical commodities and commodity or currency futures have special tax considerations. Physical commodities may be treated as collectibles subject to a maximum 28% long-term capital gains rates, while futures are marked-to-market and may be subject to a blended 60% long- and 40% short-term capital gains tax rate. Rolling futures positions may create taxable events. For specifics and a greater explanation of possible risks with ETFs¸ along with the ETF's investment objectives, charges and expenses, please consult a copy of the ETF's prospectus. Investing in sectors may be more volatile than diversifying across many industries. The investment return and principal value of ETF investments will fluctuate, so an investor's ETF shares (Creation Units), if or when sold, may be worth more or less than the original cost. ETFs are redeemable only in Creation Unit size through an Authorized Participant and are not individually redeemable from an ETF.

Please consider the investment objectives, risks, charges and expenses of the fund(s) carefully before investing. The prospectus contains this and other information about the fund(s). To obtain a prospectus, contact your financial advisor. Please read the prospectus carefully before investing.

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