

# Morgan Stanley US Equity Allocator Index

## US tech, US large caps with a 12% volatility target

Morgan Stanley US Equity Allocator Index (MSUSMSUA) takes a traditional approach to allocations but with a few modifications:

- Provides exposure to US tech and US large caps through listed futures, aiming to capture equity market returns associated with the world’s largest economy.
- A momentum signal is calculated for each equity component and used as an indicator of future performance. On each day the signals are ranked, and fixed weights are assigned to each component based on this relative ranking, providing more exposure to the equity component with the strongest momentum signal.
- The index targets 12% volatility by adjusting its allocation on both an *intraday* and *end-of-day* basis. These controls achieve faster reactivity to market moves in real-time, aiming to bring the realized volatility closer to the target.

### Reactive for rapidly shifting conditions

If the index’s large caps and tech equity holdings experience significant changes in volatility intraday, the index will rebalance the allocation intraday in order to bring the holdings volatility back to the target level.

### Monitoring momentum

Each day, the index allocates between the two underlying equity components based on a momentum signal. The weighting of each equity component is determined by the strength of two moving average indicators. The higher fixed weight is assigned to the underlying component exhibiting a higher momentum score.

### Key features of the Morgan Stanley US Equity Allocator Index



100% US-based equities



Momentum signal



Exposure can adjust over the course of a day and at the end of the day



Higher volatility target allows for larger swings in value of underlying assets, increasing upside potential

# To learn more about the **Morgan Stanley US Equity Allocator Index**, contact your financial professional today.

Check out the Morgan Stanley US Equity Allocator Index for yourself at <https://www.morganstanley.com/indices/#/msua>

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In calculating the performance of the Index, Morgan Stanley deducts, on a daily basis, a servicing cost of 0.85% per annum. This reduces the positive change or increase the negative change in the Index level and thus decreases the return of any product linked to the Index. The Index applies a bespoke volatility control mechanism to identify changing market conditions using intraday data and stabilize the overall level of risk of the Index. The volatility control calculation applied by Morgan Stanley as part of the Index's methodology may decrease the Index's performance and thus the return of any product linked to the Index. In addition, because the volatility control calculation is expected to reduce the overall volatility of the Index, it will also reduce the cost of hedging certain products linked to the Index.

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**NOTE ON SIMULATED RETURNS:** Back-testing and other statistical analyses provided herein use simulated analysis and hypothetical circumstances to estimate how the Index may have performed between July 2, 2003, to November 22, 2023, prior to its actual existence. The results obtained from such "back-testing" should not be considered indicative of the actual results that might be obtained from an investment or a product linked to the Index. The actual performance of the Index may vary significantly from the results obtained from back-testing. Unlike an actual performance record, simulated results are achieved by means of the retroactive application of a back-tested model itself designed with the benefit of hindsight and knowledge of factors that may have possibly affected its performance. Morgan Stanley provides no assurance or guarantee that any product linked to the Index will operate or would have operated in the past in a manner consistent with these materials. Calculation based on simulated performance is purely hypothetical and may not be an accurate or meaningful comparison. Past performance (actual or simulated) is not necessarily indicative of future results.

#### **Risk Factors:**

- **The level of the Index can go down.** The Index components are exposed to various risks and their market price may be influenced by many unpredictable factors.
- **The Index has embedded costs, including, but not limited to, transaction, futures roll and margin costs.** The return of such component and, as a result, the return of the Index will be lower than if there were no associated costs.
- **The servicing cost of 0.85% per annum will adversely affect the performance of the Index in all cases, whether the Index appreciates or depreciates.** The Index includes a servicing cost of 0.85% per annum which is deducted daily from the level of the Index. The level of the Index may decline even if the Index components appreciate. Because of the deduction of the servicing cost, the Index will underperform the performance of an identical index without such a servicing cost feature.
- **The Index nor any of the components comprising the Index are guaranteed to yield specific results.** There can be no assurance that the Index will be successful.
- **There are risks relating to the volatility target mechanism.** The Index's volatility target mechanism is applied to target an overall level of realized volatility equal to 12% but the realized volatility may be less than or greater than 12% and the volatility target may adversely affect Index performance. The Index may have greater than 100% exposure (up to 175% to the various Index components at any time as a result of the volatility target mechanism, which may exacerbate losses and subsequent deleveraging may increase the time taken to recover from a drawdown event.
- **There are risks associated with leverage.** The Index may utilize leverage to target the 12% volatility level, which is expected to magnify any declines in the level of the Index.
- **The Index has limited history.** The Index was established on November 22, 2023, and therefore has a very limited history. Any investment in an instrument linked to the Index may involve greater risk than an investment linked to an index with longer actual historical performance and a proven track record. Any performance prior to the establishment of the Index has been retrospectively simulated by Morgan Stanley & Co. LLC and is subject to significant limitations. Past performance (actual or simulated) is never a guarantee of future performance.
- **Investing in an instrument linked to the Index is not equivalent to investing in any underlying instrument linked to S&P 500 Index or any other equity indices or ETFs.** There is no actual portfolio of assets to which any person who purchases a product linked to the Index is entitled or has any ownership interest in. Investors in an instrument linked to the Index will not have rights to the underlying futures contracts.
- **Index may be impacted by extraordinary or disruption events.**