


Morgan Stanley

# Investing with Impact

Creating Financial, Social and Environmental Value



Increasingly, individuals and institutions want to invest in a manner that is consistent with specific beliefs and values. Morgan Stanley's *Investing with Impact Platform* offers a wide range of strategies to help in this process, which also includes traditional considerations such as market outlook, industry prospects, company fundamentals and management's ability to achieve its objectives.

 **Morgan Stanley defines *Investing with Impact* as an investment approach that aims to generate risk-adjusted financial returns while supporting positive environmental and/or social impact.**

**COMBINING VALUE WITH VALUES**

/ P2 / Investments are evaluated carefully to identify opportunities that may help deliver impact as well as financial performance potential.



**A FORCE FOR CHANGE** / P7 / *Investing with Impact* accommodates various approaches as well as investors of diverse scale and interests.

**VALUE AND IMPACT** / P8 / *Investing with Impact* responds to market demand for investment in social and environmental improvement.

# Combining Value with Values

Many terms are used to describe portfolio decisions that combine financial considerations with broader values, and investors are embracing the approach in growing numbers. Nearly one in nine dollars under professional management in the US – or about \$3.74 trillion – follows investment strategies that consider corporate responsibility and societal concerns.<sup>1</sup>

Identifying opportunities that fit your goals from both a financial and societal perspective can be challenging. The *Investing with Impact Platform* provides a range of strategies that can be executed through various underlying investments. Each product is evaluated carefully for its financial integrity and return potential, with the goal of identifying opportunities that deliver impact as well as performance.

To help you explore such options, the *Investing with Impact Platform* offers the following resources:

- Our ***Investing with Impact Framework*** categorizes funds by type of impact to help you and your Financial Advisor prioritize your investment and impact goals.
- A **product matrix**, available to your Financial Advisor, presents a list of available products that align with the *Investing with Impact Platform*. Your Financial Advisor

will be able to access exchange-traded funds, mutual funds, separately managed accounts, private equity products and other investment vehicles that combine financial performance potential with social and environmental impact.

- **Product and manager-specific reports** provide you and your Financial Advisor with more detail about a manager’s approach to investing.
- **Thematic thought pieces, white papers and educational material** offer in-depth analyses of key topics that influence your ability to invest with impact.

<sup>1</sup> US SIF: The Forum for Sustainable and Responsible Investment, *Report on Sustainable and Responsible Investing Trends in the United States, 2012*

# Impact



# Investing with Impact Framework

Each of us has individual priorities when aligning investment decisions with larger societal or environmental concerns. To facilitate this process, Morgan Stanley has designed a framework encompassing four different approaches: values alignment; environment, social and governance (ESG) integration; sector exposure; and impact investing. As you move through the framework, the impact of each category becomes increasingly specific, overt and explicitly integrated into the product offerings.

## VALUES ALIGNMENT

### MINIMIZE NEGATIVE IMPACT

#### IMPACT PRIORITIES

- Screen by interests and values. Avoid investments in potentially “objectionable” companies and industries
- Not actively seeking environmental and social impact

#### CHARACTERISTICS

- Public equity and debt
- Differentiated by screening criteria and degree of shareholder advocacy

#### INVESTMENT EXAMPLES

- A mutual fund that excludes tobacco or firearms companies

## ENVIRONMENT, SOCIAL AND GOVERNANCE (ESG) INTEGRATION

## SECTOR EXPOSURE

## IMPACT INVESTING

### TARGET SPECIFIC POSITIVE IMPACTS

- Identify managers that target companies whose approach to environmental, social or governance issues creates value differentiation

- Public equity and debt
- Differentiated by manner of ESG integration and degree of shareholder advocacy

- A mutual fund that includes ESG analysis as part of its investment process

- Focus on themes and sectors targeting specific environmental or social changes

- Public equity and debt
- Differentiated by industry or sector focus

- An exchange-traded fund (ETF) composed of clean energy stocks

- Participate in investment funds that focus on providing capital directly to private enterprises structured to effect positive social or environmental change

- Private equity and private debt
- May have investor restrictions
- Differentiated by integration of financial thesis and mission
- Might offer social and/or environmental reporting

- A private equity fund focused on emerging consumers or project-level renewable energy investment



A close-up photograph of several vertical bamboo stalks. The stalks are a vibrant green color and show distinct horizontal nodes. The background is a soft-focus forest of more bamboo, creating a sense of depth. The word "Flexibility" is written in a clean, white, sans-serif font across the upper portion of the image.

Flexibility



# A Force for Change

The *Investing with Impact Platform* focuses on flexibility, allowing you to decide how best to implement an impact-oriented strategy. You and your Financial Advisor can determine the degree of participation that is most appropriate for your needs, whether that involves constructing a complete portfolio or choosing specific allocations of your holdings.

The *Investing with Impact Platform* accommodates a variety of approaches and is designed to meet the needs of many types of investors, including:

- **Individuals** who want to combine financial return potential with positive social and/or environmental impact
- **Institutions** that are keen to invest with impact without sacrificing fiduciary responsibility
- **Corporations** that believe addressing social and/or environmental issues will create new avenues for innovation and growth and may align their investments with corporate responsibility goals
- **Charitable trusts, foundations and nonprofit organizations** that aim to integrate investment strategies with mission and programming goals
- **Donor-advised funds** that focus on maximizing donors' tax savings while potentially increasing the impact of philanthropic giving

# Helping Deliver Value and Impact

The *Investing with Impact Platform* reflects Morgan Stanley's commitment to sustainability and is a response to the market's demand for greater private capital investment in social and environmental improvement. Morgan Stanley's strong wealth management platform and ability to provide access to skilled managers and investment strategies make the *Investing with Impact Platform* a logical next step in serving investors and communities worldwide.

This new platform represents the first phase in Morgan Stanley's effort to meet your desire for investment opportunities that center on positive social and environmental impact, without sacrificing financial performance potential.

For questions or comments regarding Morgan Stanley's *Investing with Impact Platform*, please contact your Financial Advisor.

To explore the firm's broader sustainability focus, please visit [www.morganstanley.com/globalcitizen](http://www.morganstanley.com/globalcitizen).



# Integration

This material does not provide individually tailored investment advice. It has been prepared without regard to the individual financial circumstances and objectives of persons who receive it. The strategies and/or investments discussed in this material may not be suitable for all investors. Morgan Stanley Smith Barney LLC recommends that investors independently evaluate particular investments and strategies, and encourages investors to seek the advice of a Financial Advisor. The appropriateness of a particular investment or strategy will depend on an investor's individual circumstances and objectives. This material is not an offer to buy or sell any security or to participate in any trading strategy. Asset allocation does not guarantee a profit or protect against a loss.

Private Funds (which include hedge funds and private equity funds) often engage in speculative investment techniques and are only suitable for long-term, qualified investors. Investors could lose all or a substantial amount of their investment. They are generally illiquid, not tax efficient and have higher fees than many traditional investments.

An investment in an exchange-traded fund (ETF) 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.**