

# Morgan Stanley ETF ICAV

(an Irish collective asset-management vehicle constituted as an umbrella fund with segregated liability between sub-funds with registered number C546445 and authorised by the Central Bank of Ireland pursuant to the UCITS Regulations)

## Garnet US Treasury Bond 1-3 Year UCITS ETF

1 October 2025

**This supplement (“Supplement”) describes Garnet US Treasury Bond 1-3 Year UCITS ETF (the “Sub-Fund”), which is an open-ended Index-Tracking Sub-Fund of Morgan Stanley ETF ICAV (the “ICAV”). This Supplement forms part of the prospectus of the ICAV dated 17 February 2025 (the “Prospectus”) and should be read in the context of, and in conjunction with the Prospectus.**

Applicants for Shares in the Sub-Fund will be deemed to be on notice of all information contained in the Prospectus.

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# 1. Key Information

Unless otherwise defined herein or unless the context otherwise requires, all defined terms used in this Supplement shall bear the same meaning as in the Prospectus.

<b>Base Currency</b>	USD
<b>Benchmark Index</b>	Bloomberg US Treasury 1-3 Year Index – LT01TRUU
<b>Business Day</b>	Every weekday (except New Year's Day, Good Friday, Easter Monday, Christmas Day, St Stephen's Day) or days on which the Index is not published, during which banks in the United States of America and Ireland are open for normal business. The 24 <sup>th</sup> and the 31 <sup>st</sup> December (or, where these fall on a Saturday or Sunday, the preceding Friday in each case) are deemed public holidays for the purpose of this Supplement. The Directors may also determine such other day or days to be Business Days from time to time as shall be notified to Shareholders in advance.
<b>Dealing Deadline</b>	3.00 pm Irish time on the relevant Dealing Day.
<b>Listing Stock Exchange</b>	Euronext Dublin and such other selected exchanges as the Directors may determine from time to time in respect of the Sub-Fund and which are specified on the Website.
<b>Minimum Subscription Amount</b>	2,500 Shares
<b>Minimum Redemption Amount</b>	2,500 Shares
<b>Offer period</b>	9.00 am Irish time on 2 October 2025 to 4:30 pm Irish time on 1 April 2026 or such earlier or later date as the Directors may determine and notify to the Central Bank.
<b>Settlement Deadline</b>	Cleared subscription monies must be received by the first Business Day following the relevant Dealing Day, or such later date as may be determined by the ICAV and notified to prospective investors from time to time.
<b>Valuation</b>	The Net Asset Value per Share is calculated in accordance with the " <i>Determination of Net Asset Value</i> " section of the Prospectus, using last traded prices for securities.
<b>Valuation Point</b>	<p>With respect to:</p> <ul style="list-style-type: none"><li>(i) all securities in which the Fund invests (as set out in the "<i>Investment Policy</i>" section below) and listed FDI, such time on a Business Day which reflects the close of business on the markets relevant to such assets and liabilities; and</li><li>(ii) OTC FDI and portfolio management techniques, the close of business of the relevant Business Day,</li></ul> <p>provided however, the Valuation Point shall always fall after the Dealing Deadline.</p>

## 2. The Sub-Fund

The Sub-Fund is a sub-fund of the ICAV. The names of any other sub-funds of the ICAV are set out in the Prospectus.

The Sub-Fund is designated as a Fixed Strategy Sub-Fund.

The following Share Classes are available in the Sub-Fund:

Share Class name	Currency	Share Class Currency Hedging	Distribution Policy	Approximate Initial Offer Price	TER
Class USD (Dist)	USD	No	Distributing	USD 100	0.12%
Class USD (Dist) Re-invest	USD	No	Distributing	USD 100	0.12%
Class USD (Acc)	USD	No	Accumulating	USD 100	0.12%

## 3. Investment Objective and Strategy

**Investment Objective.** The Sub-Fund's investment objective is to track the performance of the Bloomberg US Treasury 1-3 Year Index (the "**Benchmark Index**") as closely as possible, while seeking to minimise as far as possible the tracking error between the Sub-Fund's performance and that of the Benchmark Index.

**Investment Policy.** The Sub-Fund will be passively managed.

The Benchmark Index is primarily composed of US Dollar denominated short-term government bonds issued by the US Treasury and further information on the Benchmark Index is set out in the section entitled Description of the Benchmark Index below.

While the Sub-Fund seeks to track the performance of the Benchmark Index, the Sub-Fund will select those Index securities which will create a representative sample that tracks the performance of the Index as closely as possible using optimisation techniques.

Optimisation seeks to minimise tracking error through proprietary quantitative portfolio analysis. This analysis may include consideration of matters such as how a security price changes in relation to another over time, scenario analysis (which involves estimating the change in an investment portfolio's value given a change in key risk factors) and stress testing. The optimisation process analyses portfolio holdings, benchmark weights and risk model data and then computes an optimal portfolio. Investment constraints typically include a number of holdings (for large benchmark universes) and maximum weightings across security, sector and country. The use of optimisation may not always result in tracking error being minimised as intended.

In addition, the Sub-Fund may invest in short-term government bonds issued by the US Treasury that are released during a calendar month and which are expected to be added as constituents of the Benchmark Index at month-end. These securities, which are not constituents of the Benchmark Index, are selected by virtue of the fact that they provide substantively the same exposure as the Benchmark Index constituents.

**Instruments / Asset Classes.** The securities in which the Sub-Fund invests are short-term government bonds issued by the US Treasury. The Sub-Fund will invest up to 100% of its Net Asset Value in such securities.

**Use of Financial Derivative Instruments.** The Sub-Fund may buy and sell currencies on a spot and forward basis. A forward currency exchange contract involves an obligation to purchase or sell a specific currency at a future date at a price set at the time of the contract and such contracts will be used for hedging purposes. The Sub-Fund may also use US Treasury futures to obtain exposure to US Treasuries. FDI are described under "*Use of Financial Derivative Instruments*" in the "*Investment Objectives and Policies*" section of the Prospectus.

**Securities Financing Transactions.** The Sub-Fund will have no exposure to securities lending, repurchase agreements or reverse repurchase agreements or total return swaps.

**Portfolio Holding Disclosure Policy.** The Sub-Fund will publicly disclose its complete holdings on a daily basis. Details of the Sub-Fund's holdings and full disclosure policy may be found on the Website.

### **Description of the Benchmark Index**

The Benchmark Index is the Bloomberg US 1-3 Year Treasury Index.

The Index Bloomberg Ticker is LT01TRUU. The rebalancing frequency of the Benchmark Index is monthly. This is not expected to have a material impact on the costs of the Sub-Fund.

The anticipated level of tracking error is 0.10%. The tracking error is defined as the annualised volatility of the differences in weekly returns between the Sub-Fund's Net Asset Value (before the deduction of any fees and expenses) and the Benchmark Index. The tracking error helps measure the quality of the replication. The ability of the Sub-Fund to track the performance of the Benchmark Index might be affected by some events happening in the normal course of a Sub-Fund's management.

Details of the Sub-Fund's indicative Net Asset Value per Share will be made available at [www.bloomberg.com](http://www.bloomberg.com).

Further details of the Benchmark Index, its components and its performance can be found at <https://www.bloomberg.com/professional/products/indices/fixed-income/#overview>. The rules of the Benchmark Index can be found at [https://assets.bbhub.io/professional/sites/27/01301\\_20240909.pdf](https://assets.bbhub.io/professional/sites/27/01301_20240909.pdf).

### *Underlying Instruments of the Index*

The Benchmark Index components are US Dollar denominated short-term government bonds issued by the US Treasury.

The Benchmark Index measures the total return of the performance of the US Government bond market and includes public obligations of the US Treasury with a maturity of between one and up to (but not including) three years. Certain special issues, such as state and local government series bonds (SLGs), Treasury inflation-protected securities (TIPS) and separate trading of registered interest and principal of securities (STRIPS) are excluded. Securities must be fixed rate and rated investment grade, as defined by the Index methodology. Index constituents may on occasion be rebalanced more often than monthly, if required by the Benchmark Index methodology.

## **4. Sub-Investment Manager**

The Sub-Investment Manager for the Sub-Fund is Morgan Stanley Investment Management Inc. The ultimate holding company of the Sub-Investment Manager is Morgan Stanley. The Sub-Investment Manager's principal offices are at 1585 Broadway, New York, NY 10036, USA. The Sub-Investment Manager is regulated by the US Securities and Exchange Commission.

The Sub-Investment Management Agreement provides that the Sub-Investment Manager shall be responsible for loss to the Investment Manager to the extent such loss arises out of negligence, wilful

default or fraud by itself, its directors, officers, servants, employees and appointees. The Sub-Investment Manager, its directors, officers, servants, employees and appointees shall not be liable for loss to the Investment Manager on account of anything done or suffered by the Sub-Investment Manager in good faith in accordance with or in pursuance of any request or advice of the Investment Manager.

The Sub-Investment Management Agreement shall continue in force until terminated pursuant to the terms set out therein, including or by ordinary resolution of the Shareholders. Either party may terminate the Sub-Investment Management Agreement on giving not less than 90 days' prior written notice (or such other period as may be agreed between the parties).

## 5. Investment Risks

Investment in the Sub-Fund carries with it a degree of risk including the risks described in the “*Risk Information*” section of the Prospectus. These risks are not intended to be exhaustive and potential investors should review the Prospectus and this Supplement carefully and consult with their professional advisers before purchasing Shares. In particular, investors should refer to the following risks as set out in the Prospectus: *Index Tracking Risk* and *US Treasury Obligations Risk*.

Please see “*Sustainability Risks, Principal Adverse Impacts and Taxonomy Regulation*” in the Prospectus. The Manager, the Investment Manager and Sub-Investment Manager do not take Sustainability Risks into account in the investment decisions in respect of the Sub-Fund as the Sub-Fund is a passive index tracking fund where there is no discretion to apply a third party ESG methodology, rating and/or screening.

## 6. Investor Profile

Typical investors in the Sub-Fund are expected to be investors seeking medium-term core exposure to the short-term US government bond market.

## 7. Subscriptions – Primary Market

Shares in the Class USD (Acc) and Class USD (Dist) Share Classes will be available during the Offer Period at the Initial Offer Price per Share set out above under “The Sub-Fund”.

After the Offer Period in respect of the Class USD (Acc) and Class USD (Dist) Share Classes has closed, Shares will be issued on each Dealing Day at the appropriate Net Asset Value per Share with an appropriate provision for Duties and Charges in accordance with the provisions set out below and in the Prospectus. Investors may subscribe for Shares for cash or in kind on each Dealing Day by making an application by the Dealing Deadline in accordance with the requirements set out below and in the “*Purchase and Sale Information*” section of the Prospectus. Consideration, in the form of cleared subscription monies/securities, must be received by the applicable Settlement Deadline.

## 8. Redemptions – Primary Market

Authorised Participants may request a redemption of Shares on any Dealing Day at the appropriate Net Asset Value per Share, subject to an appropriate provision for Duties and Charges, by submitting a valid redemption request to the Administrator by the Dealing Deadline in respect of the relevant Dealing Day, in accordance with the provisions set out in this section and at the “*Purchase and Sale Information*” section of the Prospectus. Settlement will take place within a maximum of ten Business Days of the Dealing Deadline.

## 9. Fees and Expenses

The TER for each Share Class set out in the table in “*The Sub-Fund*” section above.

Further information in this respect is set out in the “*Fees and Expenses*” section of the Prospectus.

## 10. Distributions

Share Classes whose name contains “(Acc)” are Accumulating Share Classes and Share Classes whose name contains “(Dist)” are Distributing Share Classes.

Distributions of dividends will be made out of the profits of the Sub-Fund, being 100% of the net investment income return (i.e., income from dividends, interest or otherwise, less its accrued expenses), and/or realised and unrealised capital gains net of realised and unrealised losses, for the relevant period. Distributions will not be made from the capital of the Sub-Fund. Such dividends will be paid to all relevant Shareholders entered on the Shareholder register on the relevant Dealing Day.

The Directors may from time to time determine to apply an equalisation formula in respect to any Distributing Share Class for any period in which it is expected that subscriptions and/or redemptions might have an impact on the net investment income and/or net realised and unrealised capital gains which would otherwise be available for distribution. In such circumstances, the subscription price of the relevant Distributing Share Class will be deemed to include an equalisation amount which represents a portion the accrued income and net capital gains of the relevant class up to the point of subscription, and the first distribution in respect of those Distributing Share Class will include such equalisation amount. The redemption price of each such Share will also include an equalisation payment in respect of the accrued income of the Sub-Fund up to the Dealing Day on which the relevant Shares are redeemed.

The Sub-Fund distributes income, with respect to the Distributing Share Classes, if any, in accordance with the provisions set out in the “*Dividend Policy*” section of the Prospectus. As indicated in the table in “*The Sub-Fund*” section above, dividends for the Distributing Share Classes may be declared and paid annually, except where the Directors in their sole discretion, determine not to pay a dividend on any given distribution date. It is expected that distributions will be declared and paid annually each December.

Dividends will be paid to Shareholders in the Class USD (Dist) Share Class within 10 Business Days of declaration.

Dividends with respect to the Class USD (Dist) Re-invest Share Class will be automatically re-invested in the ICAV for the purchase of new Shares of the same Class, which will be issued to the relevant Shareholders.

The distribution policy of any Share Class may be changed by the Directors, upon reasonable notice to Shareholders and, in such circumstances, the distribution policies will be disclosed in an updated Prospectus and/or Supplement.

## 11. Listing

Shares have been admitted to trading on the regulated market of Euronext Dublin and to trading on each of the other Listing Stock Exchanges.

## 12. Benchmark Register

As of the date of the Supplement, the Sub-Fund uses (within the meaning of the Benchmark Regulation) the following benchmark:

- Bloomberg US Treasury 1-3 Year Index – LT01TRUU

The benchmark administrator is Bloomberg Index Services Limited (“**BISL**”). As of the date of the Supplement, BISL is not listed on the ESMA Register referred to in Article 36 of the Benchmark Regulation.

## 13. Index Disclaimer

“Bloomberg®” and the index referenced herein (the “**Index**”) are trademarks or service marks of Bloomberg Finance L.P. and its affiliates, including BISL, the administrator of the Index (collectively, “**Bloomberg**”), and/or one or more third-party providers (each such provider, a “**Third-Party Provider**,”) and have been licensed for use for certain purposes to Morgan Stanley Investment Management Inc. (the “**Licensee**”). To the extent a Third-Party Provider contributes intellectual property in connection with the Index, such third-party products, company names and logos are trademarks or service marks, and remain the property of such Third-Party Provider.

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