

A low carbon tilt to global multi-asset investing

SOLUTIONS & MULTI-ASSET | GLOBAL BALANCED RISK CONTROL TEAM | INVESTMENT INSIGHT | 2021

The recently-launched Global Balanced Sustainable Fund was the main topic during an internal call with Christian Goldsmith, lead portfolio specialist of the Global Balanced Risk Control (GBaR) team. Here we share some excerpts from that discussion.

The GBaR team is best known for risk-controlled multi-asset portfolios. What compelled you to launch a new sustainable fund?

It's true that we've built a strong reputation for managing risk. We've been running volatility-targeted portfolios since 2009, and all of our portfolios benefit from GBaR's trademark risk-controlled approach. Sustainable investing, though, is not new to us. We launched our first ESG¹ funds in 2016.

Our team's experience with ESG has convinced us of the increasing materiality of sustainability factors in investment decisions. It's this conviction, combined with growing demand from clients for innovative approaches to sustainable investing, which inspired us to launch the Global Balanced Sustainable Fund.

Investors are seeking higher-conviction approaches—managers who genuinely strive to contribute solutions to the world's environmental and social challenges, whilst also providing attractive risk-adjusted returns. Like our existing funds, the Global Balanced Sustainable Fund integrates ESG factors into the investment process and incorporates

GBaR TEAM MEMBERS



ANDREW HARMSTONE

*Managing Director
Lead Portfolio Manager*



LI ZHANG

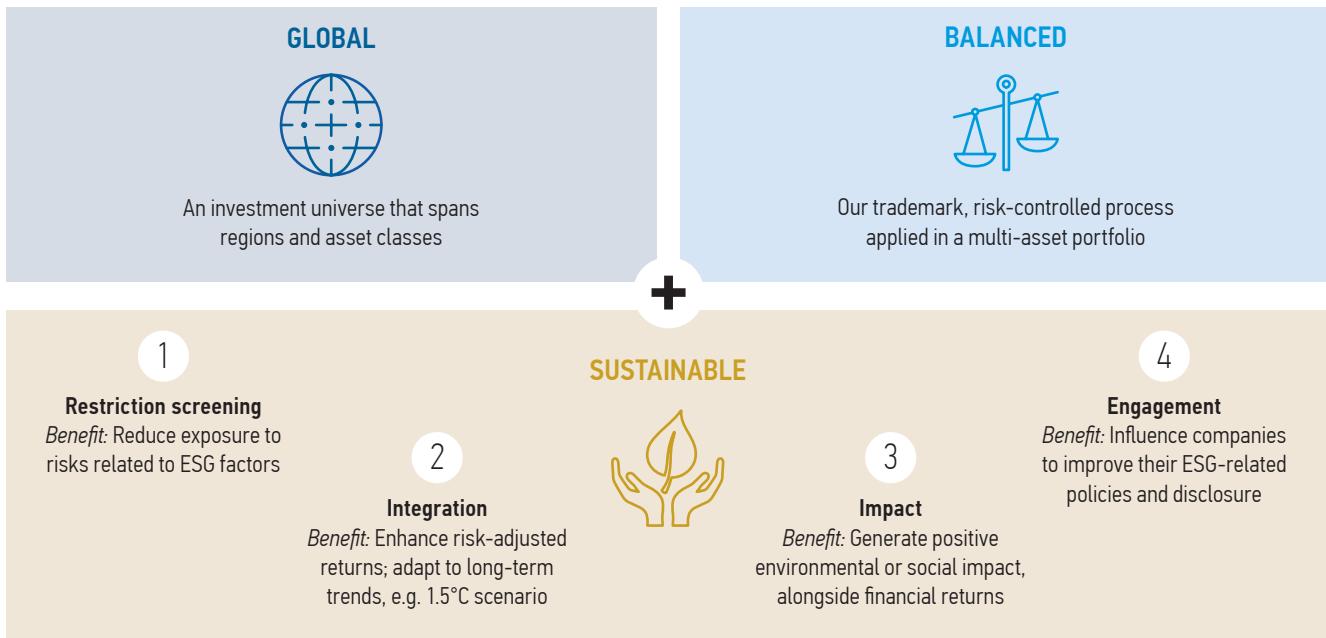
*Executive Director
Portfolio Manager*



CHRISTIAN GOLDSMITH

*Executive Director
Lead Portfolio Specialist*

¹ ESG refers to Environmental, Social and Governance factors

DISPLAY 1**Benefits of ESG investing in a risk-controlled, multi-asset portfolio**

restriction screening. But it goes further in both of these areas than we have previously gone, plus it has the additional element of impact investing. On top of all of this is our commitment to align our direct equity exposure with the Paris Agreement's objective of limiting global warming to 1.5° Celsius.

Having spent over a decade researching risks to the global economy and global markets, ESG factors such as climate change clearly fall into our definition of potential "risk events." We therefore view the fund as a natural extension of our philosophy around risk control.

Tell us more about what makes this fund distinctive. Why should I include it in my portfolio?

Simply put, what makes this portfolio unique is its four-part approach to sustainability. It employs a combination of restriction screening, ESG integration, impact investing and engagement—all in the context of a global portfolio that balances risk and reward across asset classes. A key attribute is that our core

equity allocation is aligned with the Paris Agreement's objective of limiting the increase in global warming to 1.5° Celsius (*Display 1*). Not many other multi-asset funds can say that.

Can you walk us through the asset allocation process?

Of course, let's start with the big picture: This is a long-only, multi-asset portfolio that invests in global equities, global fixed income and cash. The only commodity in which we invest is responsibly-sourced gold, through ETFs. Historically, in portfolios with the same risk level we've been as high as 80% in equities, but high market volatility environments can push our equity holdings down to below 20%, with a correspondingly higher allocation in fixed income.

Our process always starts with targeting a volatility range. In this case, the range is 4% to 10%, with an aim of landing near the midpoint of that range, say, 6% to 7%, over time. And finally, our asset allocation process aims to generate the best possible returns for the risk taken.

Many of you on this call are familiar with our risk-targeted approach, so I'll move on to the sustainability-oriented aspects of the process.

Sure, tell us about what securities you exclude from the portfolio and why?

We exclude companies that we believe could do significant harm to people or the environment. We think in terms of 'exclude or engage'; in other words, we will opt to exclude rather than engage, if dealing with companies or industries where engagement is unlikely to change behaviour. These fall in the areas of fossil fuels—notably coal—tobacco, gambling, controversial weapons and civilian firearms, and other securities that may be exposed to ESG-related controversies.

One thing that sets our restriction process apart is that we examine the entire value chain. For example, with tobacco, we don't just exclude the producers, but also any supplier, distributor or retailer which generates 10% or more of revenues from tobacco.

And how do you determine what securities will be *included* in the portfolio?

Here, we should start by differentiating between our core asset class exposures and our impact investments. Let's discuss the core exposures first, as this is where ESG considerations are integrated into the process, using a 'best in class' approach. Looking at the fund's global equity component, we tilt this part of the portfolio toward the top quartile of ESG performers, in aggregate. We start by breaking our global equity portfolio into five regional sub-portfolios—Europe, the U.S., Japan, Asia-ex Japan and emerging markets. Our decision on how much to allocate to each region is expressed in terms of a broad market index, for example for European equities we think in terms of an allocation to the MSCI Europe, whilst for U.S. equities our view is based on the S&P 500. Within each sector, within each regional index, we then target stocks in the top quartile among their peers in terms of ESG scores, and we layer an additional tilt toward stocks that score favourably in terms of the low-carbon transition.

The result is that our ESG scores are consistently better than those of the comparable index in all five regions, across all sectors (*Display 2*). And when we aggregate all five equity regions, over half of our overall equity position is in ESG "leaders" that fall in the highest-quality AAA and AA categories, according to MSCI's ESG ratings (*Display 3*).

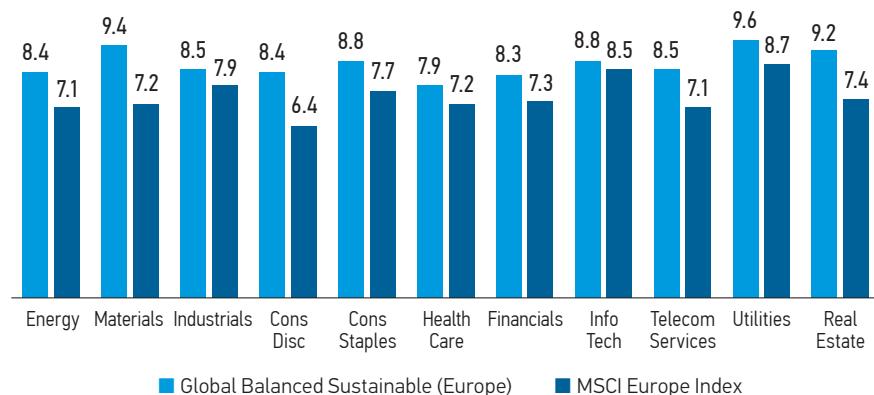
Why the "extra tilt" toward low carbon stocks?

The fund is explicitly designed to capture opportunities and manage risks arising from long-term sustainability trends across the global economy. The Paris Agreement's long-term goal of limiting the increase in global warming to 1.5° Celsius, relative to pre-industrial levels, is a science-based approach representing one such trend.

DISPLAY 2

Tilting the portfolio strengthens ESG scores across sectors (%)

Example of European equity exposure

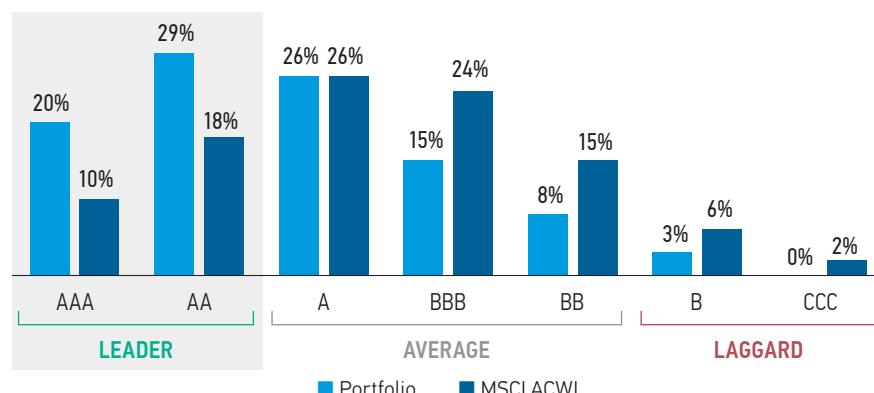


Source: Morgan Stanley Investment Management and MSCI as of 31 October 2020. For illustrative purposes only; not to be construed as recommendation to invest in sectors mentioned.

DISPLAY 3

Result: Almost 50% of the fund's equities are in ESG leaders³

Nearly half of the portfolio's equities are in ESG 'leaders,' versus only 28% for a non-ESG global equity index



Source: Morgan Stanley Investment Management and MSCI ESG research as of 31 October 2020. MSCI ESG ratings on scale of AAA to CCC.

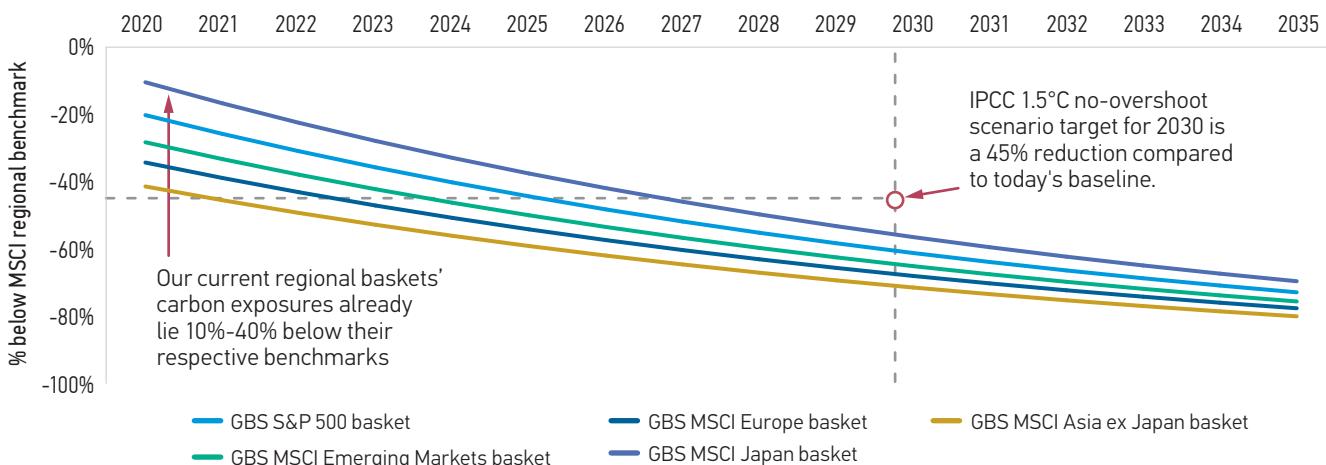
² Based on company ESG ratings sourced from MSCI.

³ Note: the portfolio's regional equity exposures are managed to respective regional equity indices: MSCI Europe; S&P 500; MSCI Japan; MSCI AC Asia Ex Japan; and MSCI Emerging Markets. Comparison of aggregated baskets to MSCI All Countries World Index is for illustrative purposes only.

DISPLAY 4**Tilting toward a low carbon economy**

Global Balanced Sustainable (GBS) carbon intensity trajectory compared to IPCC key milestone target for 2030

GBS Regional Basket Carbon Intensities (Scope 1&2/EVIC) % Below Benchmarks



By tilting more heavily toward stocks that contribute to the realisation of a low-carbon economy, we can reduce our regional equity baskets' carbon emissions in line with the 1.5° Celsius scenario. This approach aligns with the most recent IPCC recommendations and targeting net zero emissions for our equity exposure by 2050.

So far our stock-specific tilts alone have decarbonised regional equity baskets by 10%-40% compared to their respective underlying equity index benchmarks as of mid-2020 (Display 4). This gives us a strong starting position from which to decarbonise positions further over the following years, which will also entail an additional, gradual, sector-level tilting over time.

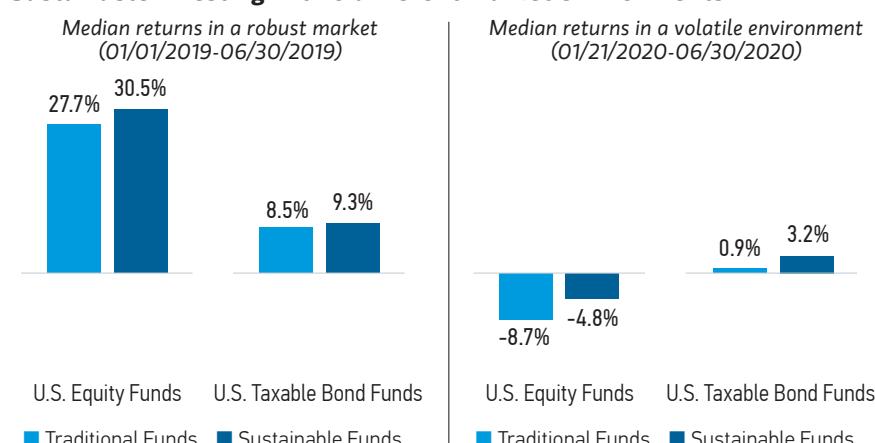
Does the tilting process sacrifice any of the portfolio's risk or return attributes?

No, we don't believe so. Certainly, the tilting is intentional and does affect the portfolio's composition. However, each regional equity allocation is constructed to behave similarly to its respective index—but with better ESG and low carbon characteristics.

We've always been keen to ensure that tilting toward the top quartile of ESG scorers doesn't yield a portfolio of great-but-overpriced ESG leaders, which could detract from the fund's risk-reward profile. To address this risk, we've incorporated a valuation filter to guard against over-paying for ESG quality. In essence, the equity allocations end up being index-like

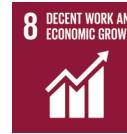
with tilts toward high ESG scores, low carbon and good value.

Overall, we view the ESG tilting process as a logical extension of risk control. We've spent many years conducting research on "risk events"—events that could trigger volatility across global markets. Increasingly, we became convinced of the potential for climate

DISPLAY 5**Sustainable investing in two different market environments**

Source: Morgan Stanley Institute for Sustainable Investing. Analysis used Morningstar data to evaluate the performance of U.S.-domiciled sustainable funds investing in U.S. equities and taxable bonds active in 2019 against their traditional peers. Performance was evaluated for the same asset classes in the first half of 2020 when the coronavirus pandemic induced significant volatility in the capital markets.

DISPLAY 6**Impact investments: Aligned with our research and UN SDGs**

	ENVIRONMENTAL				SOCIAL			
	Climate	Resource Management	Basic Needs		Empowerment			
Issues addressed by Fund's impact investments	<ul style="list-style-type: none"> • Energy Efficiency • Renewable Energy • Green Buildings 	<ul style="list-style-type: none"> • Waste & Resource Management • Pollution • Water • Sustainable Agriculture and Forestry 		<ul style="list-style-type: none"> • Healthcare • Affordable Housing 		<ul style="list-style-type: none"> • Education • Financial Inclusion • Inequality • Digital Divide 		
Aligned with 11 of the UN's SDG's	  	 	  	 	 			

change to cause major risk events. The necessity of tackling climate change for environmental reasons is evident, but the need to consider it in investment decisions has also become increasingly clear.

In general, companies that operate sustainably are less likely to face fines, business disruptions and reputational damage, and they have often made significant investments to realign the way they run their business for the future. As *Display 5* shows, investing sustainably appears to generate competitive or above-average returns—both in strong market environments, such as 2019, as well as in periods of volatility, such as the first half of 2020.

What about the fixed income portion of the portfolio?

Once the fund grows to its full scale, we intend for the fixed income portions of the portfolio to similarly integrate ESG considerations. The firm's global fixed income group has considerable expertise in the realm of sustainable investing, notably the [inclusion of green bonds](#). We will be drawing from their

capabilities to ensure we are bringing the firm's best thinking to the portfolio.

The impact investing aspect makes this fund differentiated. Can you talk about that?

Yes it is a differentiator—especially in a multi-asset fund. Other funds may have exclusions, or aim to integrate ESG factors into their process, but few have the impact investing component, and even fewer do it in the context of a multi-asset portfolio. By dedicating 5% to 30% of the portfolio to impact funds, we can target businesses that have explicit intentions of generating a measurable, positive environmental or social impact alongside a financial return.

We regularly publish research on sustainability—including climate change, data privacy and many other topics. The fund's impact investments will intentionally be an expression of this research, so we're excited about it. We're starting with around 10% in impact investments, which will grow over time. Many of these investments

align with one or more of the United Nations' 17 Sustainable Development Goals (*Display 6*).

Tell us how you select the managers for the impact investing funds.

In addition to the quantitative and qualitative analysis we've been conducting for over a decade, when selecting any active fund for our portfolios, for impact funds we apply four additional criteria: Intentionality, purity, diversity and reporting. Intentionality refers to an explicit goal of achieving certain environmental and social objectives. Purity ensures the manager invests in "pure players" who generate more than 50% of their revenues from products and services that address environmental or social challenges. In practice, this tends to make many of our equity impact holdings medium and small cap. Diversity refers to pursuing a variety of impact themes, while reporting seeks clear measurement of the impact these investments make.

Finally, how do you approach engagement?

We engage with companies on themes, such as water efficiency and clean energy transition. But we also work with the Global Stewardship team, which is responsible for addressing issues of sustainability across Morgan Stanley's activities. We value the quality of our engagements more than the quantity. Partnering with Morgan Stanley to influence companies' ESG policies improves the quality of our engagements and, in our view, the results.

Bringing all of this together seems complex. Tell us about the people who are involved.

Yes, bringing it all together requires expertise, but the process has a strong foundation. Our underlying risk-targeting approach has proved durable, even when adding various features or constraints to meet different client objectives—including sustainability preferences.

As with our other portfolios, Andrew Harmstone is the lead portfolio manager and Manfred Hui works closely with him. Li Zhang, a GBaR team veteran who leads our team's dedicated group of ESG research analysts, is Andrew's co-portfolio manager for this fund. And I lead our group of portfolio

specialists, who help align the portfolios with client goals. We also consult regularly with Emily Chew, Global Head of Sustainability for Investment Management at Morgan Stanley.

Your final thought for those considering this fund for their portfolios?

With this newest fund, clients can more fully capitalise on risks and opportunities related to sustainability. In our view, it's an innovative way for investors to achieve global multi-asset exposure while supporting goals of the broader global community—including that of moving toward a lower-carbon economy.

Risk Considerations

- The value of bonds are likely to decrease if interest rates rise and vice versa.
- The value of financial derivative instruments are highly sensitive and may result in losses in excess of the amount invested by the Sub-Fund.
- Issuers may not be able to repay their debts, if this happens the value of your investment will decrease. This risk is higher where the fund invests in a bond with a lower credit rating.
- The fund relies on other parties to fulfill certain services, investments or transactions. If these parties become insolvent, it may expose the fund to financial loss.
- There may be an insufficient number of buyers or sellers which may affect the fund's ability to buy or sell securities.
- Commodity investments can change significantly and quickly in value as a large variety of factors affect them.
- There are increased risks of investing in emerging markets as political, legal and operational systems may be less developed than in developed markets.
- Past performance is not a reliable indicator of future results. Returns may increase or decrease as a result of currency fluctuations. The value of investments and the income from them can go down as well as up and investors may lose all or a substantial portion of his or her investment.
- The value of the investments and the income from them will vary and there can be no assurance that the Fund will achieve its investment objectives.
- Investments may be in a variety of currencies and therefore changes in rates of exchange between currencies may cause the value of investments to decrease or increase. Furthermore, the value of investments may be adversely affected by fluctuations in exchange rates between the investor's reference currency and the base currency of the investments.

DEFINITIONS

"ESG" investment: Environmental Social and Governance based investment is an investment approach which takes explicit account of the environmental, social and corporate governance aspects of all proposed investments.

The Asset Allocation strategies provide the Investment Adviser with wide discretion to allocate between different asset classes. From time to time, the Asset Allocation may have significant exposure to a single or limited number of fixed income or equity asset classes. Accordingly, the relative relevance of the risks associated with equity securities, Fixed Income Securities and derivatives will fluctuate over time.

Investments in derivative instruments carry certain inherent risks such as the risk of counter party default and before investing you should ensure you fully understand these risks. Use of leverage may also magnify losses as well as gains to the extent that leverage is employed. These investments are designed for investors who understand and are willing to accept these risks. Performance may be volatile, and an investor could lose all or a substantial portion of his or her investment.

The **MSCI Europe Index** is a free float-adjusted market capitalization index that is designed to measure developed market equity performance in Europe. The term "free float" represents the portion of shares outstanding that are deemed to be available for purchase in the public equity markets by investors. The performance of the Index is listed in U.S. dollars and assumes reinvestment of net dividends. The **MSCI All Country World Index (ACWI)** is a free float-adjusted market capitalization weighted index designed to measure the equity market performance of developed and emerging markets. The term "free float" represents the portion of shares outstanding that are deemed to be available for purchase in the public equity markets by investors. The performance of the Index is listed in U.S. dollars and assumes reinvestment of net dividends. The **S&P 500® Index** measures the performance of the large cap segment of the U.S. equities market, covering approximately 75% of the U.S. equities market. The Index includes 500 leading companies in leading industries of the U.S. economy. The **MSCI Japan Index** is a free-floated adjusted market capitalization weighted index that is designed to track the equity market performance of Japanese securities listed on the Tokyo Stock Exchange, Osaka Stock Exchange, JASDAQ and Nagoya Stock Exchange. The MSCI Japan Index is constructed based on the MSCI Global Investable Market Indices Methodology, targeting a free-float market capitalization coverage of 85%. The **MSCI All Country Asia Ex-Japan Index** is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of Asia, excluding Japan. The performance of the Index is listed in U.S. dollars and assumes reinvestment of net dividends. The **MSCI Emerging Markets Index (MSCI EM)** is a free float-adjusted market capitalization weighted index that is designed to measure equity market performance of emerging markets.

DISTRIBUTION

This communication is only intended for and will only be distributed to persons resident in jurisdictions where such distribution or availability would not be contrary to local laws or regulations. In particular, the Shares are not for distribution to US persons.

Ireland: MSIM Fund Management (Ireland) Limited. Registered Office: The Observatory, 7-11 Sir John Rogerson's Quay, Dublin 2, D02 VC42, Ireland. Registered in Ireland as a private company limited by shares under company number 616661. MSIM Fund Management (Ireland) Limited is regulated by the Central Bank of Ireland.

United Kingdom: Morgan Stanley Investment Management Limited is authorised and regulated by the Financial Conduct Authority. Registered in England. Registered No. 1981121. Registered Office: 25 Cabot Square, Canary Wharf, London E14 4QA, authorised and regulated by the Financial Conduct Authority. **Dubai:** Morgan Stanley Investment Management Limited (Representative Office, Unit Precinct 3-7th Floor-Unit 701 and 702, Level 7, Gate Precinct Building 3, Dubai International Financial Centre, Dubai, 506501, United Arab Emirates. Telephone: +97 (0)14 709 7158). **Germany:** MSIM Fund Management (Ireland) Limited Niederlassung Deutschland, Grosse Gallusstrasse 18, 60312 Frankfurt am Main, Germany (Gattung: Zweigniederlassung (FDI) gem. § 53b KWG).

Italy: MSIM Fund Management (Ireland) Limited, Milan Branch (Sede Secondaria di Milano) is a branch of MSIM Fund Management (Ireland) Limited, a company registered in Ireland, regulated by the Central Bank of Ireland and whose registered office is at The Observatory, 7-11 Sir John Rogerson's Quay, Dublin 2, D02 VC42, Ireland. MSIM Fund Management (Ireland) Limited Milan Branch (Sede Secondaria di Milano) with seat in Palazzo Serbelloni Corso Venezia, 16 20121 Milano, Italy, is registered in Italy with company number and VAT number 11488280964. **The Netherlands:** MSIM Fund Management (Ireland) Limited, Rembrandt

Tower, 11th Floor Amstelplein 1 1096HA, Netherlands. Telephone: 31 2-0462-1300. Morgan Stanley Investment Management is a branch office of MSIM Fund Management (Ireland) Limited. MSIM Fund Management (Ireland) Limited is regulated by the Central Bank of Ireland. **France:** MSIM Fund Management (Ireland) Limited, Paris Branch is a branch of MSIM Fund Management (Ireland) Limited, a company registered in Ireland, regulated by the Central Bank of Ireland and whose registered office is at The Observatory, 7-11 Sir John Rogerson's Quay, Dublin 2, D02 VC42, Ireland. MSIM Fund Management (Ireland) Limited Paris Branch with seat at 61 rue de Monceau 75008 Paris, France, is registered in France with company number 890 071 863 RCS. **Switzerland:** Morgan Stanley & Co. International plc, London, Zurich Branch Authorised and regulated by the Eidgenössische Finanzmarktaufsicht ("FINMA"). Registered with the Register of Commerce Zurich CHE-115.415.770. Registered Office: Beethovenstrasse 33, 8002 Zurich, Switzerland, Telephone +41 (0) 44 588 1000. Facsimile Fax: +41 (0) 44 588 1074.

Hong Kong: This document has been issued by Morgan Stanley Asia Limited for use in Hong Kong and shall only be made available to "professional investors" as defined under the Securities and Futures Ordinance of Hong Kong (Cap 571). The contents of this document have not been reviewed nor approved by any regulatory authority including the Securities and Futures Commission in Hong Kong. Accordingly, save where an exemption is available under the relevant law, this document shall not be issued, circulated, distributed, directed at, or made available to, the public in Hong Kong. **Singapore:** This publication should not be considered to be the subject of an invitation for subscription or purchase, whether directly or indirectly, to the public or any member of the public in Singapore other than (i) to an institutional investor under section 304 of the Securities and Futures Act, Chapter 289 of Singapore ("SFA"), (ii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA. In particular, for investment funds that are not authorized or recognized by the MAS, units in such funds are not allowed to be offered to the retail public; any written material issued to persons as aforementioned in connection with an offer is not a prospectus as defined in the SFA and, accordingly, statutory liability under the SFA in relation to the content of prospectuses does not apply, and investors should consider carefully whether the investment is suitable for them. This publication has not been reviewed by the Monetary Authority of Singapore. **Australia:** This publication is disseminated in Australia by Morgan Stanley Investment Management (Australia) Pty Limited ACN: 122040037, AFSL No. 314182, which accept responsibility for its contents. This publication, and any access to it, is intended only for "wholesale clients" within the meaning of the Australian Corporations Act.

BRAZIL. This document does not constitute a public offering of securities for the purposes of the applicable Brazilian regulations and has therefore not been and will not be registered with the Brazilian Securities Commission (Comissão de Valores Mobiliários) or any other government authority in Brazil. All information contained herein is confidential and is for the exclusive use and review of the intended addressee of this document, and may not be passed on to any third party. **CHILE.** Neither the Fund nor the interests in the Fund are registered in the Registry of Offshore Securities (el Registro de Valores Extranjeros) or subject to the supervision of the Commission for the Financial Market (la Comisión para el Mercado Financiero). This document and other offering materials relating to the offer of the interests in the Fund do not constitute a public offer of, or an invitation to subscribe for or purchase, the Fund interests in the Republic of Chile, other than to individually identified purchasers pursuant to a private offering within the meaning of Article 4 of the Chilean Securities Act (la Ley del Mercado de Valores) (an offer that is not "addressed to the public at large or to a certain sector or specific group of the public").

COLOMBIA. This document does not constitute an invitation to invest or a public offer in the Republic of Colombia and is not governed by Colombian law. The interests in the Fund have not been and will not be registered with the National Register of Securities and Issuers (el Registro Nacional de Valores y Emisores) maintained by the Financial Supervisory Authority of Colombia (la Superintendencia Financiera de Colombia) and will not be listed on the Colombian Stock Exchange (la Bolsa de Valores de Colombia). The interests in the Fund are being offered under circumstances which do not constitute a public offering of securities under applicable Colombian securities laws and regulations. The offer of the interests in the Fund is addressed to fewer than one hundred specifically identified investors. Accordingly, the interests in the Fund may not be marketed, offered, sold or negotiated in Colombia, except under circumstances which do not constitute a public offering of securities under applicable Colombian securities laws and regulations. This document is provided at the request of the addressee for information purposes only and does not constitute a solicitation. The interests in the Fund may not

be promoted or marketed in Colombia or to Colombian residents unless such promotion and marketing is carried out in compliance with Decree 2555 of 2010 and other applicable rules and regulations related to the promotion of foreign financial and securities related products or services in Colombia. Colombian eligible investors acknowledge that the interests in the Fund (i) are not financial products, (ii) are transferable only in accordance with the terms of the Fund's constitutional documents and (iii) do not offer any principal protection. Colombian eligible investors acknowledge Colombian laws and regulations (in particular, foreign exchange, securities and tax regulations) applicable to any transaction or investment consummated in connection with an investment in the Fund, and represent that they are the sole liable party for full compliance with any such laws and regulations. In addition, Colombian investors acknowledge and agree that the Fund will not have any responsibility, liability or obligation in connection with any consent, approval, filing, proceeding, authorization or permission required by the investor or any actions taken or to be taken by the investor in connection with the offer, sale or delivery of the interests in the Fund under Colombian law. **MEXICO.** Any prospective purchaser of the interests in the Fund must be either an institutional investor (inversionista institucional) or a qualified investor (inversionista calificado) within the meaning of the Mexican Securities Market Law (Ley del Mercado de Valores) (the "Securities Market Law") and other applicable Mexican laws in effect. The interests in the Fund have not and will not be registered in the National Registry of Securities (Registro Nacional de Valores) maintained by the Mexican Banking and Securities Commission (Comisión Nacional Bancaria y de Valores). The interests in the Fund may not be offered or sold in the United Mexican States by any means except in circumstances which constitute a private offering pursuant to Article 8 of the Securities Market Law and its regulations. No Mexican regulatory authority has approved or disapproved the interests in the Fund or passed on the solvency of the Fund. All applicable provisions of the Securities Market Law must be complied with in respect of any sale, offer or distribution of, or intermediation in respect of, the Fund interests in, from or otherwise involving Mexico, and any resale of the interests in the Fund within Mexican territory must be made in a manner that will constitute a private offering pursuant to Article 8 of the Securities Market Law and its regulations. **PERU.** The interests in the Fund have not been and will not be registered in Peru under Decreto Legislativo 862: Ley de Fondos de Inversión y sus Sociedades Administradoras or under Decreto Legislativo 861: Ley del Mercado de Valores (the "Securities Market Law"), and are being offered to institutional investors only (as defined in article 8 of the Securities Market Law) pursuant to a private placement, according to article 5 of the Securities Market Law. The interests in the Fund have not been registered in the securities market public registry (Registro Público del Mercado de Valores) maintained by, and the offering of the Fund interests in Peru is not subject to the supervision of, the Superintendencia del Mercado de Valores. Any transfers of the Fund interests shall be subject to the limitations contained in the Securities Market Law and the regulations issued thereunder. **URUGUAY.** The offering of the Interests qualifies as a private placement pursuant to section 2 of Uruguayan law 18,627. The Interests will not be offered or sold to the public (Individuals or Companies) in Uruguay, except in circumstances which do not constitute a public offering or distribution through a recognized Exchange under Uruguayan laws and regulations. Neither the Fund nor the Interests are or will be registered with la Superintendencia de Servicios Financieros del Banco Central del Uruguay. The Fund corresponds to an investment fund that is not an investment fund regulated by Uruguayan law 16,774 dated September 27, 1996, as amended.

IMPORTANT INFORMATION

EMEA: This marketing communication has been issued by **MSIM Fund Management (Ireland) Limited**. **MSIM Fund Management (Ireland) Limited** is regulated by the Central Bank of Ireland. **MSIM Fund Management (Ireland) Limited** is incorporated in Ireland as a private company limited by shares with company registration number 616661 and has its registered address at The Observatory, 7-11 Sir John Rogerson's Quay, Dublin 2, D02 VC42, Ireland.

This document contains information relating to the sub-fund ("Fund") of Morgan Stanley Investment Funds, a Luxembourg domiciled Société d'Investissement à Capital Variable. Morgan Stanley Investment Funds (the "Company") is registered in the Grand Duchy of Luxembourg as an undertaking for collective investment pursuant to Part 1 of the Law of 17th December 2010, as amended. The Company is an Undertaking for Collective Investment in Transferable Securities ("UCITS").

Applications for shares in the fund should not be made without first consulting the current Prospectus, Key Investor Information Document ("KIID"), Annual Report and Semi-Annual Report ("Offering Documents"), or other documents available in your local jurisdiction which is available free of charge from the Registered Office: European Bank and Business Centre, 68 route de Trèves, L-2633 Senningerberg, R.C.S. Luxembourg B 29 192. In addition, all Italian investors should refer to the 'Extended Application Form', and all Hong Kong investors should refer to the 'Additional Information for Hong Kong Investors' section, outlined within the Prospectus. Copies of the Prospectus, KIID, the Articles of Incorporation and the annual and semiannual reports, in German, and further information can be obtained free of charge from the representative in Switzerland. The representative in Switzerland is Carnegie Fund Services S.A., 11, rue du Général-Dufour, 1204 Geneva. The paying agent in Switzerland is Banque Cantonale de Genève, 17, quai de l'Ile, 1204 Geneva. The document has been prepared solely for informational purposes and does not constitute an offer or a recommendation to buy or sell any particular security or to adopt any specific investment strategy.

Any index referred to herein is the intellectual property (including registered trademarks) of the applicable licensor. Any product based on an index is in no way sponsored, endorsed, sold or promoted by the applicable licensor and it shall not have any liability with respect thereto.

All investments involve risks, including the possible loss of principal. The material contained herein has not been based on a consideration of any individual client circumstances and is not investment advice, nor should it be construed in any way as tax, accounting, legal or regulatory advice. To that end, investors should seek independent legal and financial advice, including advice as to tax consequences, before making any investment decision.

The information contained in this communication is not a research recommendation or 'investment research' and is classified as a 'Marketing Communication' in accordance with the applicable European or Swiss regulation. This means that this marketing communication (a) has not been prepared in accordance with legal requirements designed to promote the independence of investment research (b) is not subject to any prohibition on dealing ahead of the dissemination of investment research.

MSIM has not authorised financial intermediaries to use and to distribute this document, unless such use and distribution is made in accordance with applicable law and regulation. MSIM shall not be liable for, and accepts no liability for, the use or misuse of this document by any such financial intermediary. If you are a distributor of the Morgan Stanley Investment Funds, some or all of the funds or shares in individual funds may be available for distribution. Please refer to your sub-distribution agreement for these details before forwarding fund information to your clients.

The whole or any part of this work may not be directly or indirectly reproduced, copied, modified, used to create a derivative work, performed, displayed, published, posted, licensed, framed, distributed or transmitted or any of its contents disclosed to third parties without MSIM's express written consent. This work may not be linked to unless such hyperlink is for personal and non-commercial use. All information contained herein is proprietary and is protected under copyright and other applicable law.

This document may be translated into other languages. Where such a translation is made this English version remains definitive. If there are any discrepancies between the English version and any version of this document in another language, the English version shall prevail.

Explore our site at www.morganstanley.com/im