

## Morgan Stanley Funds (UK)

### MS Funds (UK) Multi-Asset Sustainable Balanced Fund<sup>1</sup>

# ESG Methodology

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CUSTOMISED SOLUTIONS | GLOBAL BALANCED RISK CONTROL TEAM | March 2023

#### MARKETING COMMUNICATION

**This ESG methodology document should be read in conjunction with the Morgan Stanley Funds (UK) MS Funds (UK) Multi-Asset Sustainable Balanced Fund Exclusion Policy and the Prospectus**

#### [ESG Methodologies](#)

#### **Relevant sustainability indicators used to measure the environmental or social characteristics of the product;**

The Investment Adviser will take into account the long-term global warming objectives of the Paris Agreement. To reach this environmental objective the Investment Adviser's ESG integration process has two distinct climate tilts: 1) stock-specific and 2) sector-specific.

For the stock-specific, the Investment Adviser creates – for all 11 GICS sectors within each regional equity market – individual baskets that tilt towards the top quartile ESG and low-carbon transition leaders. For the sector-specific, the Investment Adviser aggregates the sector baskets subject to an overall carbon budget, aligned with a science-based climate trajectory subject to tracking error.

The Investment Adviser will also allocate 5% to 30% of the Fund for investment in assets with a measurable positive social or environmental impact (based on the Investment Adviser's methodology), alongside a competitive long term financial return. These investments can be held directly through equity or Fixed Income Securities, or indirectly through collective investment schemes.

The Investment Adviser has selected sustainability indicators to assess, measure and monitor environmental and social characteristics. The table below specifies the sustainability indicators, the detail of the metric, permitted threshold and data sources:

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<sup>1</sup> The Fund was formerly named the Morgan Stanley Fund (UK) Global Balanced Income Fund and changed its name to the Morgan Stanley Fund (UK) Multi-Asset Sustainable Balanced Fund on 30 March 2023.

No.	Environmental and Social Characteristic	Sustainability indicator	Metric	Methodology	Data sources
1	Climate Change	Climate Change Score	Low Carbon Transition Score is a company level score designed to identify potential leaders and laggards by holistically measuring companies' exposure to and management of risks and opportunities related to the low carbon transition. Companies with higher Low Carbon Transition score are more aligned with the Low Carbon Transition compared to the companies with lower scores	Tilt towards the top quartile low-carbon transition leaders within each sector in each region, subject to other considerations and constraints	MSCI
2	Climate Change	Carbon emission	Tilt towards lower carbon intensive sectors within each region using emissions over EVIC, subject to overall carbon budget and tracking error constraint	Tilt towards lower carbon intensive sectors within each region using emissions over EVIC, subject to overall carbon budget and tracking error constraint	MSCI
3	Environmental, Social and Governance	ESG Ratings	The ESG Rating is designed to measure a company's resilience to long-term, industry material environmental, social and governance (ESG) risks.	Tilt towards the top quartile ESG rated companies within each sector in each region, subject to other considerations and constraints	MSCI

## [Data](#)

In undertaking the above analysis and exclusions, the Investment Team supplements its own analysis with data from third parties such as MSCI. The Investment Team will bear the costs in relation to the use of third-party data.

## RISK CONSIDERATIONS

**Past performance is not a guarantee of future performance.** The value of the investments and the income from them can go down as well as up and an investor may not get back the amount invested. There can be no assurance that the Fund will achieve its investment objectives.

- Investment in China A-Shares via Shanghai-Hong Kong and Shenzhen-Hong Kong Stock Connect programs may also entail additional risks, such as risks linked to the ownership of shares.
- 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 fulfil certain services, investments or transactions. If these parties become insolvent, it may expose the Fund to financial loss.
- Sustainability factors can pose risks to investments, for example: impact asset values and increased operational costs.
- There may be an insufficient number of buyers or sellers which may affect the Fund's ability to buy or sell securities.
- **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.
- There are increased risks of investing in emerging markets as political, legal and operational systems may be less developed than in developed markets.

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