

Morgan Stanley Funds (UK)

MS Funds (UK) Multi-Asset Sustainable Moderate Fund¹

ESG Methodology

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 Moderate 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:

¹ The Fund was formerly named the Morgan Stanley Fund (UK) Global Balanced Sustainable Fund and changed its name to the Morgan Stanley Fund (UK) Multi-Asset Sustainable Moderate 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.

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.

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.

EMEA: This marketing communication has been issued by Morgan Stanley Investment Management Limited (MSIM Ltd) 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.

This document contains information relating to the sub-funds of Morgan Stanley Funds (UK) (the ‘Company’) in accordance with the Open-Ended Investment Companies Regulations 2001 and the rules contained in the Collective Investment Schemes Sourcebook made by the Financial Conduct Authority in exercise of its powers under Section 247 of the Financial Services and Markets Act 2000. The Company is an Undertaking for Collective Investment in Transferable Securities (“UCITS”).

Applications for shares in the sub-funds 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: 25 Cabot Square, Canary Wharf, London E14 4QA. 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 views and opinions provided here are of the investment management team. These are not the views of the firm as a whole.

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 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 reproduced, copied or transmitted or any of its contents disclosed to third parties without MSIM’s express written consent.

All information contained herein is proprietary and is protected under copyright law.

© Morgan Stanley 2023. All rights reserved.

Explore our new site at
www.morganstanley.com/im