

To: All Shareholders in the sub-funds (the “**Sub-Funds**”) of Morgan Stanley Funds (UK) (the “**Company**”)

Dear Shareholder

CHANGES TO THE SUB-FUNDS

We, Morgan Stanley Investment Management (ACD) Limited, as Authorised Corporate Director (“**ACD**”) of the Company are writing to inform you of an update in relation to the Sub-Funds in which you invest.

In order to allow us to manage the Sub-Funds’ liquidity more effectively under exceptional circumstances and ensure consideration is given to all investors, we are adding certain liquidity management powers, including the power to i) defer redemptions, and ii) where applicable to allow “in specie” subscriptions and redemptions. These powers are explained in detail below.

We are also making changes to the way we protect the Sub-Funds from dealing expenses (known as the anti-dilution policy).

The changes do not require shareholder approval or require that you take any action. These changes will take effect on 14th June 2024.

Please find details of the changes below and we do recommend that you read this letter.

Details of the changes

If, on any given dealing day, a high volume of shares in a Sub-Fund are either bought or sold, this can cause issues with the liquidity management of the Sub-Fund, as it may not be possible for us to then purchase or sell assets in an efficient way within the required timeframe. For this reason, we are introducing the following changes:

- *Deferral of Redemptions*

We are adding a power to defer redemptions (i.e. requests to sell shares) where they are together over 10% of the fund’s value. In such case, where possible due to system constraints, that investor’s redemption will be scaled down until the total amount of redemptions for that dealing day is 10%. Deferred investors will then be prioritised on subsequent dealing days.

Please see the prospectus extract in Appendix 1 for the relevant new provisions.

- *In Specie Subscriptions and Redemptions*

Separately, we are also adding the power to allow investors to purchase or redeem their shares in specie, i.e. to buy shares in the Sub-Fund using assets other than cash, or to receive assets from the Sub-Fund other than cash when selling shares in the Sub-Fund. This power would be at our discretion, subject to certain regulatory requirements which are detailed fully in the prospectus extract at Appendix 1. We would not require you to subscribe or redeem your shares in specie without your consent unless you: i) are an institutional investor, and ii) the subscription or redemption is considered by us to be substantial in relation to the Sub-Fund’s value.

Change to anti-dilution policy

As investors enter or exit a fund, the potential purchase and sale of the underlying investments in the Sub-Fund may incur trading costs such as bid/ask spreads, brokerage fees, transaction charges and taxes. These costs are charged to the fund and are borne by all remaining shareholders of the fund, an effect known as dilution which can impact the remaining shareholders’ returns on their investment in the fund.

In order to protect remaining shareholders from dilution, we may adjust the net asset value of a fund to reflect these estimated trading costs, a mechanism known as a dilution adjustment or swing pricing.

When net investor activity in a fund exceeds a certain threshold (swing threshold) on a given business day, the net asset value is adjusted by a factor (swing factor), upwards in case of net subscriptions and downwards in case of net redemptions. In either case, the swung net asset value applies to all transactions, regardless of direction, not the specific circumstances of each individual investor transaction.

The current swing factor for each Sub-Fund is up to 1% of net asset value. We will be amending this to 2% of net asset value in normal conditions, while retaining the discretion to temporarily increase this limit in exceptional circumstances (for example, stressed or dislocated markets resulting in increased trading costs beyond 2%). This will allow us to manage the effects of dilution more effectively.

FCA confirmation

The Financial Conduct Authority has confirmed by letter to Eversheds Sutherland (International) LLP, solicitors to Morgan Stanley Investment Management (ACD) Limited, that the changes outlined above will not affect the authorisation of the Scheme under The Open Ended Investment Companies Regulations 2001.

Questions

If you have any questions concerning the proposals, please contact our customer services team on 0800 096 1962. Calls are free from landlines and mobiles within the UK between 9.00 a.m. and .30 p.m. Monday to Friday, but please be aware that we are not authorised to give investment advice.

Yours sincerely,



Zoë Parish

Director

For and on behalf of Morgan Stanley Investment Management (ACD) Limited
As Authorised Corporate Director of the Company

Appendix 1

Morgan Stanley Funds (UK) – Relevant prospectus extracts containing the new terms for buying and selling shares including the new deferral of dealing and “in specie” provisions

(NOTE: NOT ALL THE PROVISIONS IN RELATION TO DEALING ARE SHOWN BELOW – THESE ARE CONTAINED IN THE PROSPECTUS, WHICH IS AVAILABLE ON REQUEST)

BUYING SHARES

Procedures

Shares can be bought by UK residents either by sending a completed Application Form to the ACD at the dealing office address stated in the Directory in Appendix 2, by faxing the ACD on 0870 888 3027, or by telephoning the ACD on 0800 328 1571. Application Forms may be obtained from the ACD. Telephone instructions must be confirmed by delivering either a duly completed and signed Application Form or registration details to the ACD at the dealing office address. The ACD will need to be satisfied as to the identity of Shareholders for all deals.

The dealing office of the ACD is open to receive subscriptions for Shares from 9.00 a.m. to 5.00 p.m. (London time) on each Dealing Day.

Applications for Shares received and accepted by the ACD by 12 noon (London time) on a Dealing Day will be dealt with at the price calculated as at the Valuation Point for that Day. Applications received and accepted after that time will be dealt with at the price calculated as at the Valuation Point for the following Dealing Day.

The ACD has the right to reject, on reasonable grounds relating to the circumstances of the applicant, any application for Shares in whole or part, and in this event the ACD will return any money sent, or the balance of such monies, at the risk of the applicant.

Any subscription monies remaining after a whole number of Shares has been issued (including on reinvestment of income distributions) will not be returned to the applicant. Instead, smaller denomination Shares will be issued in such circumstances. A smaller denomination Share is equivalent to one hundredth of a larger denomination Share.

The Company may restrict or prevent the ownership of Shares in the Company by any person, firm or corporate body, if in the opinion of the ACD such holding may constitute a breach of the law or governmental regulation (or any interpretation of a law or regulation by a competent authority) of any country or territory, or would (if other Shares were acquired or held in like circumstances) result in the Company incurring any liability to taxation or suffering any other adverse consequence (including a requirement to register under any securities or investment or similar laws or governmental regulation of any country or territory). In particular, the Company has resolved to prevent the ownership of Shares by any U.S. Person.

Issue of Shares in exchange for in specie assets

If:

- i) a Shareholder requests an in specie subscription of Shares; or

- ii) a Shareholder who is an institutional investor requests the subscription of Shares, then, where the ACD considers the deal to be substantial in relation to the total size of the Fund concerned, or in some way detrimental to the Fund,

the ACD may, at its discretion and with the consent of the Shareholder, arrange to issue Shares in exchange for assets other than cash.

It will only do so where the Depositary has taken reasonable care to determine that the relevant Fund's acquisition of those assets in exchange for the Shares concerned is not likely to result in any material prejudice to the interests of Shareholders. Where the ACD considers the deal to be substantial in relation to the total size of the Fund it may require, in respect of institutional investors only (and with their consent), the investor to contribute in specie.

The ACD will ensure that the beneficial interest in the assets is transferred to the Fund with effect from the issue of the Shares.

The ACD will not issue Shares in any Fund in exchange for assets the holding of which would be inconsistent with the investment objective or policy of that Fund.

SELLING SHARES

Procedure

Every Shareholder has the right to require the ACD to redeem his Shares on any Dealing Day unless the value of Shares which a Shareholder wishes to redeem means that the Shareholder will hold Shares with a value less than the required minimum holding for the Class concerned. In such case the Shareholder may be required to redeem his entire holding.

Requests to redeem Shares may be made either in writing to the ACD at the dealing office address stated in Appendix 2, by faxing the ACD on 0870 888 3027 or by telephoning the ACD on 0800 328 1571. Fax and telephone deals must be confirmed in writing. No redemption proceeds will be paid until such written confirmation is received by the ACD.

Electronic monies will be issued or remitted within three Business Days of the later of (a) receipt by the ACD of the form of redemption (or other sufficient written instructions) duly signed by all the relevant Shareholders and completed as to the appropriate number of Shares, together with any other evidence of title, and (b) the appropriate Valuation Point following receipt by the ACD of the request to redeem. Cheques will only be issued in circumstances where the ACD is not able to pay monies by direct bank transfer, or when specifically requested by an investor. The ACD reserves the right to refuse a redemption request made by fax or phone where no redemption form is received.

The dealing office of the ACD is open from 9.00 a.m. and 5.00 p.m. (London time) on each Dealing Day to receive requests for the redemption of Shares.

Redemption requests received and accepted by the ACD by 12 noon (London time) on a Dealing Day will be dealt with at the price calculated as at the Valuation Point for that Dealing Day. All requests received and accepted after that time will be dealt with at the price calculated as at the Valuation Point for the next Dealing Day.

In specie redemptions

If:

- iii) a Shareholder requests an in specie redemption of Shares; or
- iv) a Shareholder who is an institutional investor requests the redemption of Shares, then, where the ACD considers the deal to be substantial in relation to the total size of the Fund concerned, or in some way detrimental to the Fund,

the ACD may, at its discretion and having given prior notice in writing to the Shareholder, arrange that, in place of payment for the Shares in cash, the ACD transfers property to the Shareholder.

Before the redemption proceeds of the Shares become payable, the ACD must give written notice to the Shareholder that the relevant property or the proceeds of sale of the relevant property will be transferred to that Shareholder and the Shareholder must agree to the transfer. Where there is an in specie redemption, the Depositary will, in accordance with the rules of the COLL Sourcebook, cancel the Shares and transfer a proportionate share of the assets of the relevant Fund as the Depositary, after consultation with the ACD, decides is reasonable to the Shareholder, in either case having regard to the need to be fair both to the Shareholder and to continuing Shareholders.

The Depositary must take reasonable care to ensure that the property concerned would not be likely to result in any material prejudice to the interests of Shareholders.

The ACD will select the property to be transferred or sold in consultation with the Depositary and investors who receive property in lieu of cash upon redemption should note that they may incur brokerage and/or tax charges on the sale of such property.

Deferred Redemption

If the ACD receives redemption requests for Shares in excess of 10% in aggregate by value in respect of any Dealing Day, the ACD, may, wherever this is possible, depending on system constraints, and at its sole discretion and acting in the best interests of Shareholders/prospective Shareholders, elect to defer such redemptions in whole or in part. If the ACD elects to restrict the redemption of Shares in this manner then all such deferred redemption requests will be scaled down pro rata to the value of the Shares requested so that only Shares of up to 10% by value of the Fund are redeemed in respect of that Dealing Day.

Subject to the above restriction, any Shares which are not redeemed on a Dealing Day, shall be treated as if a request for redemption has been made in respect of such Shares, for the next and each subsequent Dealing Day, until all of the Shares to which the original request(s) related have been redeemed. All deferred dealing requests relating to an earlier Valuation Point will be completed before subsequent dealing requests relating to a later Valuation Point are considered.

Any deferral of redemptions will allow the ACD to protect the interests of continuing Shareholders by allowing the ACD to match the sale of Scheme Property to the level of redemptions.

SWITCHING AND CONVERTING SHARES

The in-specie and deferral limits detailed above may also apply on a Switch of Shares.