

Morgan Stanley Investment Funds

## American Resilience Fund

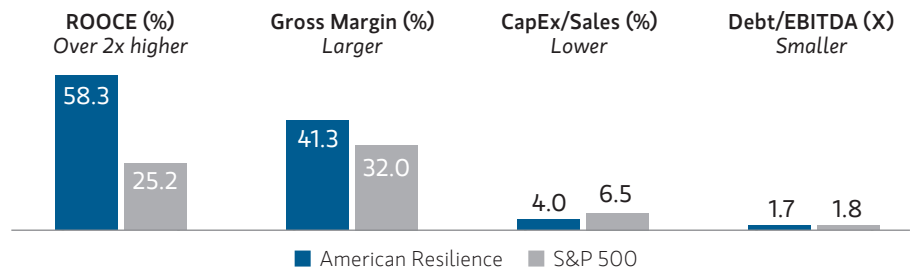
MARKETING COMMUNICATION | INTERNATIONAL EQUITY TEAM | ESG FACTCARD | 30 September 2023

American Resilience is a concentrated equity portfolio of high quality, well managed, U.S. companies. Based on our team’s proven approach to high quality investing, the Fund seeks to invest in strong businesses with pricing power and recurring revenues which we believe should provide investors with reduced downside participation during challenging market environments and resilient returns over the long term. We use bottom-up fundamental analysis and actively engage with company management to identify material ESG risks to company fundamentals and/or the sustainability of future returns. The Fund has a significantly lower carbon footprint than the broader market.<sup>1</sup>

Article 8 Fund<sup>^</sup>  
(EU SFDR)

### High Quality Investing<sup>2</sup>

ESG considerations are a fundamental part of the investment process and are assessed directly by the investment team. The result is a portfolio of high quality compounders that meet stringent criteria for high, sustainable returns on operating capital.

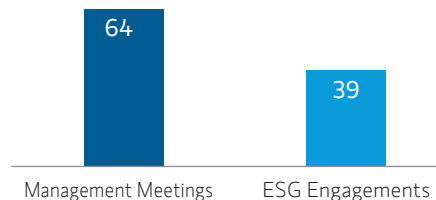


### Active Engagement

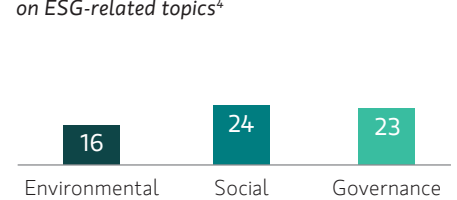
Direct and regular portfolio manager-led engagement is a hallmark of our integrated ESG investment process. The team has engaged with management on material issues of sustainability and governance for over 20 years.

#### Engagements in the last 12 months<sup>3</sup>

Engagements across Fund holdings



Number of management engagements on ESG-related topics<sup>4</sup>



<sup>^</sup> This Fund is classified as an Article 8 product under the Sustainable Finance Disclosure Regulation. Article 8 products are those which promote environmental or social characteristics and which integrate sustainability into the investment process in a binding manner. Before making any decision to invest in these type of Funds, please refer to all the characteristics and objectives of the Fund noted in the current Prospectus and KIID at morganstanleyinvestmentfunds.com.

<sup>1</sup> The Fund is not subject to specific carbon footprint or carbon reduction targets. The carbon statements provided herein do not form part of the Fund’s core investment objective but are considered as part of our broader investment process where deemed material by the Investment Team. There is no guarantee that the Fund will maintain the levels shown.

<sup>2</sup> Quality ratios are historical. ROOCE (Return on Operating Capital Employed) = EBITA (Earnings Before Interest, Taxes and Amortization) / PPE (Property, Plant, Equipment) + Trade working capital (excludes goodwill). ROOCE, Gross Margin, Capex/Sales, and Net Debt to EBITDA use last reported ex-Financials data. Characteristics are calculated using the underlying companies in the MS INV American Resilience Fund. Data as of 30 September 2023. Updated quarterly.

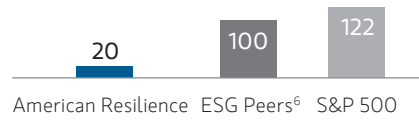
<sup>3</sup> The International Equity team defines an engagement as an interaction with senior management or non-executive board member. Engagements may also be those with companies’ investor relations and/or sustainability teams. Data from 1 July 2022 - 30 June 2023. Data updated semi-annually. The inception date of the American Resilience Strategy is 31 May 2022.

<sup>4</sup> Total count of ESG topics is higher than total number of ESG engagements as more than one topic may be discussed in a meeting.

## Light on Carbon<sup>5,6</sup>

The Fund has a low carbon intensity given its focus on capital light businesses and exclusion of carbon-intensive sectors, with a carbon footprint 83% lower (Scope 1 and 2 emissions) than the MSCI World Index per \$1m sales.

### Tons CO<sub>2</sub>e/\$m Sales Scope 1 + 2 emissions



### Tons CO<sub>2</sub>e/\$m Invested Scope 1 + 2 emissions



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## Active Portfolio Manager Led Engagement

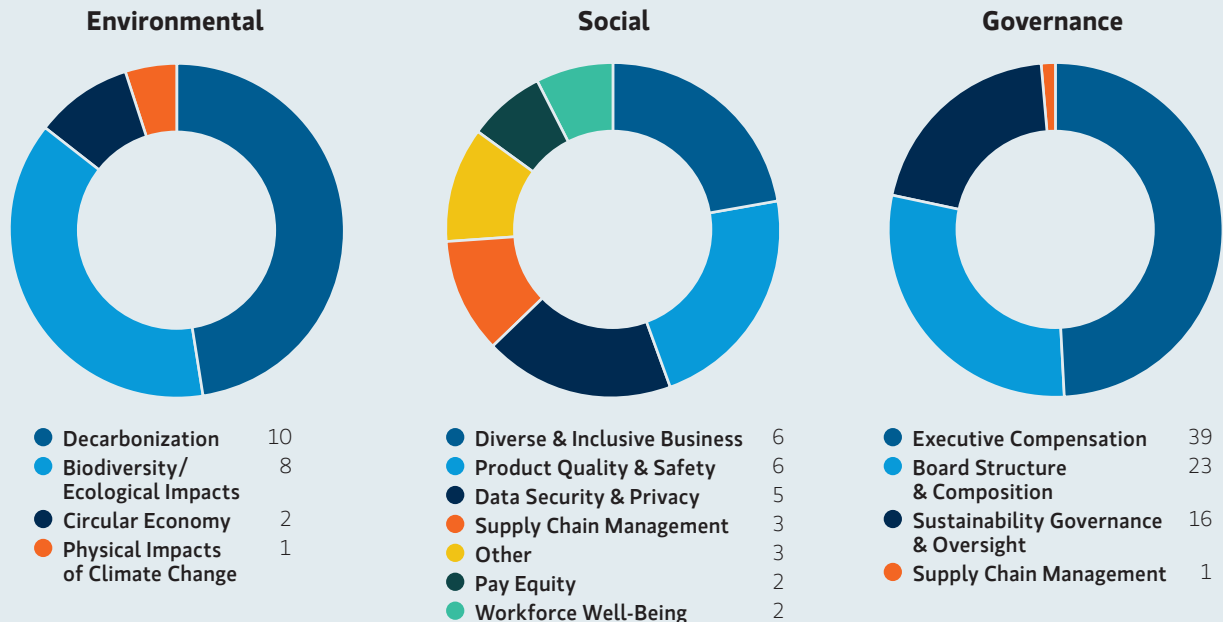
Integrating ESG analysis is active and intensive. It is not determined by third-party scores but by portfolio managers attuned to the material issues and opportunities for the companies they research.

### Our engagement record in the last 12 months<sup>8</sup>



### Topics addressed during our engagements for American Resilience in the last 12 months<sup>9</sup>

The following diagrams show the number of E, S, and G engagements by topic.



<sup>5</sup> Trucost data as of 30 September 2023 for the MS INVF American Resilience Fund. Updated quarterly.

<sup>6</sup> Trucost defines a portfolio's carbon intensity as the carbon emissions (Scope 1 and 2) of a portfolio per \$1 million invested or per \$1 million of portfolio companies' sales. The portfolio-level statistics show the weighted average carbon intensity (WACI). For further information on restrictions, please refer to the [Fund's Restriction Screening Policy](#).

<sup>7</sup> 30 largest global equity investment funds from FactSet and Morningstar databases with ESG, Environmental or Ethical focus, as defined by Morningstar, and where ESG considerations are reflected in the name of the fund.

<sup>8</sup> Data shown is for the 12-month period from 1 July 2022 - 30 June 2023 across all team strategies. Data updated semi-annually. The inception date of the American Resilience Strategy is 31 May 2022.

<sup>9</sup> Data shown is for the 12-month period from 1 July 2022 - 30 June 2023. Total count of ESG topics is higher than total number of ESG engagements as more than one topic may be discussed in a meeting. Data updated semi-annually.

## Diligent Attention to Proxy Voting Responsibilities

During the 12-month period from 1 July 2022 - 30 June 2023, we voted at 32 meetings and on 489 proposals for the companies held in American Resilience. Overall, we voted against management in 13% of cases. The most common reasons for voting against management were related to remuneration, board structure and proposals related to social and environmental issues.

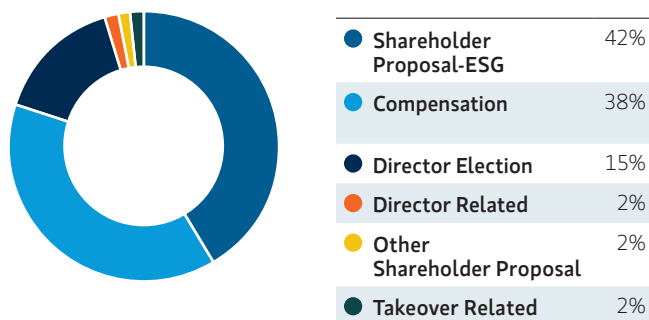
### Proxy voting overview — American Resilience<sup>9</sup>

1 July 2022 - 30 June 2023

Total number of meetings held	32
Total proposals voted	489
% votes in favour of management	87%
% votes abstained/did not vote	0%
% votes against management	13%
% meetings with at least one vote against management	88%

Source: ISS Proxy Exchange, MSIM.

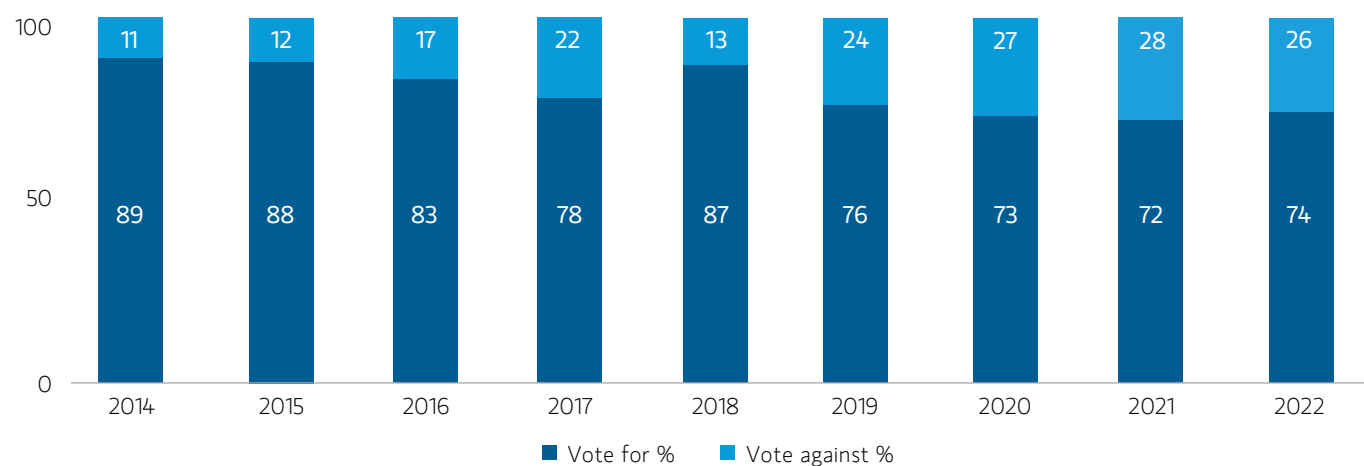
### % Votes against management by topic<sup>11</sup>



## Pay X-Ray

The Pay X-Ray is our proprietary scoring tool, used to better compare company pay plans, facilitate team discussions and inform our voting approach. This enhancement to our process has led to an increase in votes against management over time.

### Votes on management say-on-pay proposals<sup>12</sup>



<sup>10</sup> Due to rounding, values may not sum to 100.

<sup>11</sup> Expressed as a percentage of total votes against management.

<sup>12</sup> Any remuneration-related proposals. Data is for all International Equity team strategies. Data updated annually.

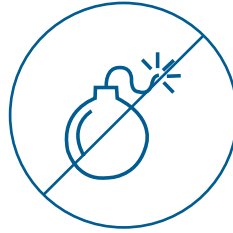
## Exclusionary Screening of the Investment Universe

The investment team excludes any company:



### CLIMATE-RELATED EXCLUSIONS

With any tie to fossil fuels (such as oil, gas or coal),<sup>12</sup> or assigned to the following: Construction Materials, Energy, Metals & Mining, Utilities (excluding Renewable Electricity and Water Utilities).<sup>14</sup>



### WEAPONS-RELATED EXCLUSIONS<sup>15</sup>

Whose core business activity involves civilian firearms or weapons.

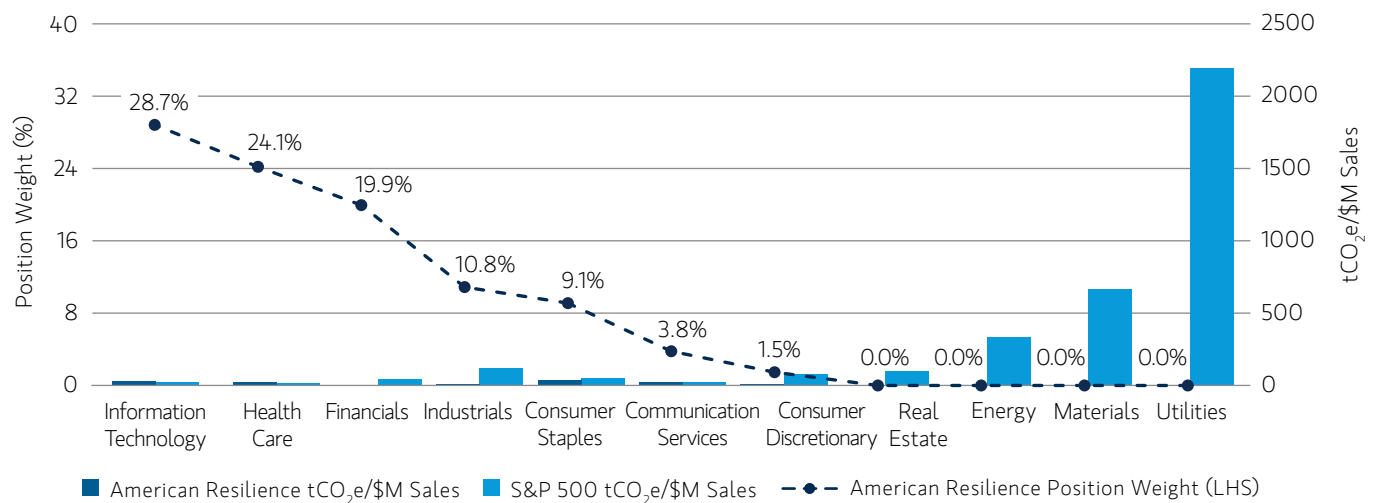


### CONTROVERSIAL WEAPONS<sup>15</sup>

With any tie to controversial weapons.

## The Fund Excludes the Most Carbon-Intensive Sectors<sup>16</sup>

Position Weight (%) vs. Carbon Intensity (tCO<sub>2</sub>e/\$M Sales)



<sup>13</sup> Companies with a tie to fossil fuels (thermal coal, oil and gas), in particular reserve ownership, related revenues and power generation.

<sup>14</sup> Utilities (excluding Renewable Electricity and Water Utilities), including any company whose core business activity involves nuclear power generation and/or nuclear power trading.

<sup>15</sup> As determined by the MSCI ESG Business Involvement Screening Research ("MSCI ESG BISR") database. Further details can be found in the Fund's Restriction Screening Policy on [www.msim.com](http://www.msim.com).

<sup>16</sup> Source: MSCI, Morgan Stanley Investment Management, Trucost. Data as of 30 September 2023. Updated quarterly.

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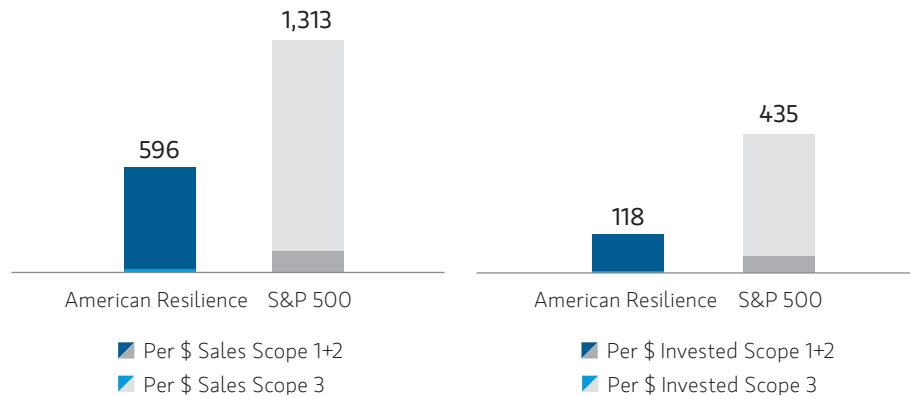
### The Fund is Carbon Light

While Scope 3 emissions — indirect emissions relating to the supply chain (upstream) and customers' logistics and product use emissions (downstream) — are harder to quantify and companies have limited direct control over them, many companies are trying to better understand and report on their full value chain emissions. Taking all three scopes into account, the Fund is 55% lower than the S&P 500 per \$1m sales, and 73% lower per \$1m invested.

#### Significantly lower carbon footprint than the index<sup>17</sup>

Tons CO<sub>2</sub>e / \$m Sales

Tons CO<sub>2</sub>e / \$m Invested

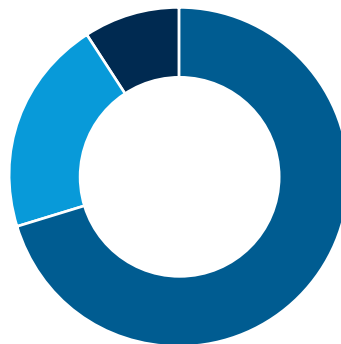


### ... and Getting Lighter

The team has analysed the greenhouse gas (GHG) reduction targets of companies in the portfolios and engages with management to better understand their strategies to achieve their targets – as well as encouraging those without targets to adopt them.

#### 91% of companies have carbon reduction targets<sup>18</sup>

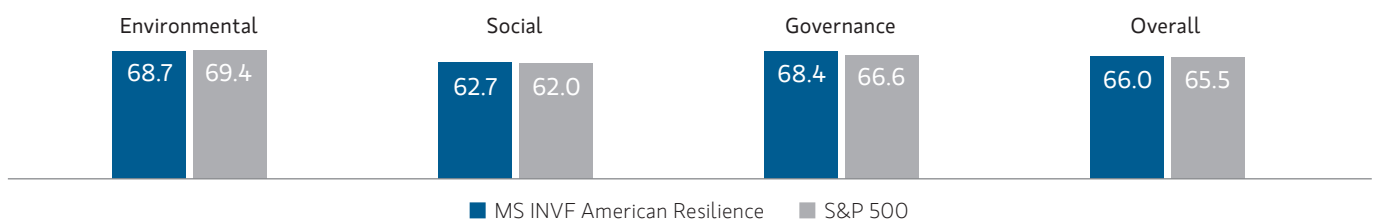
American Resilience, % companies



Net zero target	71%
Other carbon target	21%
No target	9%

### Sustainability Scores<sup>19</sup>

We examine ESG risks and opportunities on a case-by-case basis for the companies we hold, without seeking to meet overall portfolio targets or ratings of external data providers. We provide scores here as reference for those who use them.



Applications for shares in the Fund should not be made without first consulting the current Prospectus and the Key Information Document ("KID") or Key Investor Information Document ("KIID"), which are available in English and in the official language of your local jurisdiction at [morganstanleyinvestmentfunds.com](http://morganstanleyinvestmentfunds.com) or free of charge from the Registered Office of Morgan Stanley Investment Funds, European Bank and Business Centre, 6B route de Trèves, L-2633 Senningerberg, R.C.S. Luxembourg B 29 192.

Information in relation to sustainability aspects of the Fund and the summary of investor rights is available at the aforementioned website. If the management company of the relevant Fund decides to terminate its arrangement for marketing that Fund in any EEA country where it is registered for sale, it will do so in accordance with the relevant UCITS rules.

<sup>17</sup> Data as of 30 September 2023 for the MS INVF American Resilience Fund. Updated quarterly. The portfolio-level statistics show the weighted average carbon intensity (WACI).

<sup>18</sup> MSIM research as of 30 September 2023. Due to rounding values may not sum to 100.

<sup>19</sup> Source: Sustainalytics, Morgan Stanley Investment Management. Data as of 30 September 2023.

## Risk Considerations

The risk and reward category shown is based on historic data.

- Historic figures are only a guide and may not be a reliable indicator of what may happen in the future.
- As such this category may change in the future.
- The higher the category, the greater the potential reward, but also the greater the risk of losing the investment. Category 1 does not indicate a risk free investment.
- The fund is in this category because it invests in company shares and the fund's simulated and/or realised return has experienced high rises and falls historically.

This rating does not take into account other risk factors which should be considered before investing. These include:

- 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.
- Sustainability factors can pose risks to investments, for example: impact asset values, 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.
- risk free investment.
- The fund is in this category because it invests in company shares and the fund's simulated and/or realised return has experienced high rises and falls historically.
- The fund may be impacted by movements in the exchange rates between the fund's currency and the currencies of the fund's investments.

## DEFINITIONS

**Capital expenditures (CapEx)** are funds used by a company to acquire, upgrade, and maintain physical assets such as property, plants, buildings, technology, or equipment. CapEx is often used to undertake new projects or investments by a company. Making capital expenditures on fixed assets can include repairing a roof, purchasing a piece of equipment, or building a new factory. This type of financial outlay is made by companies to increase the scope of their operations or add some economic benefit to the operation.

## INDEX INFORMATION

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.

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The use of leverage increases risks, such that a relatively small movement in the value of an investment may result in a disproportionately large movement, unfavourable as well as favourable, in the value of that investment and, in turn, the value of the Fund.

Investment in the Fund concerns the acquisition of units or shares in a fund, and not in a given underlying asset such as building or shares of a company, as these are only the underlying assets owned.

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