Morgan Stanley

INVESTMENT MANAGEMENT

MORGAN STANLEY INVESTMENT FUNDS (MS INVF)

Global Balanced Defensive Fund

GLOBAL BALANCED RISK CONTROL TEAM | INVESTMENT IDEA | 30 JUNE 2021

Known for its expertise in risk control, the GBaR[1] team has put its time-tested process to work in a multi-asset ESG-tilted fund.[2] By considering ESG factors, the GBaR team seeks to improve the fund's risk-return profile and meet the needs of clients who seek a sustainable investment solution. Targeting a 2% - 6% risk range,[3] the Global Balanced Defensive Fund has maintained a stable risk profile within this range since its inception in 2016.

Risk-controlled asset allocation for ESG-orientated investors

1 **Dynamic**
By continually adjusting the fund's allocation—a mix of equities, fixed income, commodity-linked assets and cash—the team expresses its forward-looking views to capitalise on trends that will drive future risk and returns.

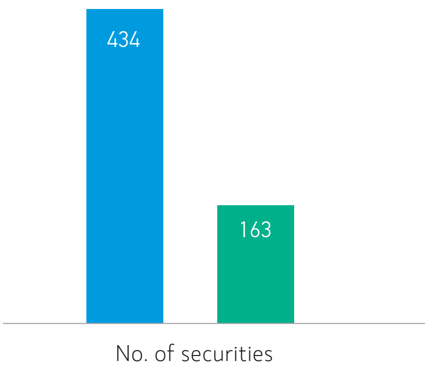
2 **Defensive**
By anticipating and controlling risk, the team seeks to maintain fund volatility within a target range of 2-6%, somewhat lower than other strategies managed by the GBaR team. The fund has typically exhibited a stable level of risk and attractive risk-adjusted returns.

3 **ESG-Enhanced Implementation**
Regional equity baskets are tilted in aggregate towards top-quartile ESG[4] performers and with emphasis on the low carbon transition. We also partner with Morgan Stanley Investment Management's Global Fixed Income team, who actively manage our credit allocations within an ESG framework.

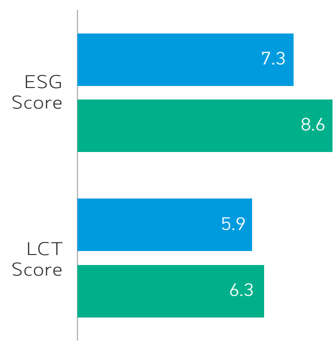
Side by side comparison

MSCI Europe Index vs Global Balanced Fund's European equity allocation, to illustrate the effects of considering ESG factors

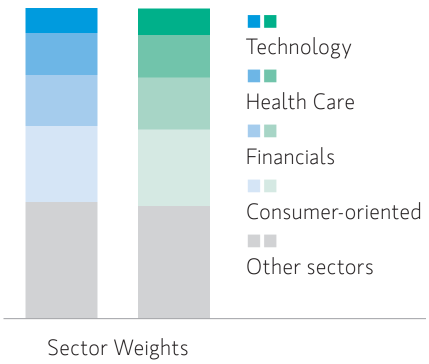
Fewer securities



Higher ESG and Low Carbon Transition Scores



Unchanged sector weights



■ MSCI Europe Index ■ MSCI Europe ESG-tilted basket

Source: Morgan Stanley Investment Management and MSCI as of 31 March 2021. For illustrative purposes only; not to be construed as recommendation to invest in sectors mentioned above.

[1] GBaR stands for Global Balanced Risk Control

[2] ESG stands for environmental, social and governance

[3] Total portfolio risk defined in terms of volatility. Target provided is indicative only and is not guaranteed in any way.

[4] Using ESG and Low Carbon Transition (LCT) scores from MSCI. Translated on a scale of 0 - 10, higher scorers being better.

Experienced management team

The MS INVF Global Balanced Defensive Fund is managed by senior members of the Global Balanced Risk Control team. Since 2009, the Global Balanced Risk Control team has managed multi-asset portfolios for clients worldwide. Today, the team oversees more than $25.4 billion in client assets as of 30 June 2021. The team's philosophy is to harness the power of risk by employing a dynamic, controlled and sustainable process.

ANDREW HARMSTONE

Managing Director
Lead Global Portfolio Manager

Joined the Global Multi-Asset team in 2008 and has 40 years of investment experience.

MANFRED HUI

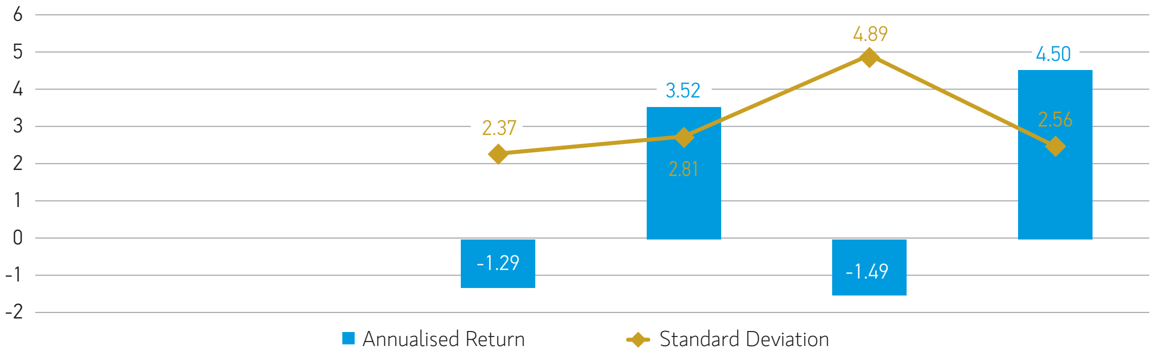
Managing Director, CFA
Co-Lead Global Portfolio Manager

Joined the Global Multi-Asset team in 2007 and has 15 years of investment experience.

Team members are subject to change from time to time without notice.

12 Month Performance Periods to Latest Month End (%)

MS INVF Global Balanced Defensive Fund – Class Z (net of fees euro %)



	JUN '16–JUN'17	JUN '17–JUN '18	JUN '18–JUN '19	JUN '19–JUN '20	JUN '20–JUN '21
Returns	–	-1.29	3.52	-1.49	4.50
Standard Deviation	–	2.37	2.81	4.89	2.56
Sharpe Ratio	–	-0.40	1.37	-0.23	1.96

Source: MSIM, 30 June 2021. **Past performance is not a reliable indicator of future performance.** Returns may increase or decrease as a result of currency fluctuations. All performance data is calculated NAV to NAV, net of fees, and does not take account of commission and costs incurred on the issue of redemption of units. The sources for all performance and index data is Morgan Stanley Investment Management. The investment team do not target a benchmark index when managing the portfolio.

What distinguishes this track record?

A four year track record

MS INVF Global Balanced Defensive Fund – Class Z (net of fees euro %) as of 30 June 2021

	YTD*	1Y ANN	3Y ANN	SI ANN	2016*	2017	2018	2019	2020
Annualised Return	2.32	4.50	2.14	1.55	1.80	0.63	-2.26	5.59	-0.38
Standard Deviation	–	2.56	3.55	3.19	–	2.49	2.30	2.58	5.09
Sharpe Ratio	–	1.96	0.72	0.60	–	0.39	-0.84	2.31	0.01

Source: MSIM, 30 June 2021. **Past performance is not a reliable indicator of future performance.** The Fund results shown are net of investment advisory/management fees, are quoted in euros and include the reinvestment of dividends and income. There can be no assurance that any portfolio will achieve its investment objective or target returns. Inception date of the Z (institutional) share class is 23 August 2016. *Return figures for periods less than one year are not annualised, though standard deviation is.

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 funds 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

Low Carbon Transition (LCT) score is based on a scale of 1-10, using data provided by MSCI. The LCT score is based on a multi-dimensional risks and opportunities assessment, and considers both predominant and secondary risks that a company faces from the global transition to a low carbon economy. **"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. **Volatility** is a statistical measure of the dispersion of returns for a given security or market index. The team measures volatility on an ex-ante (forward-looking) basis using the manager's proprietary risk management system. Targets are typical ranges. There is no assurance that these targets will be attained. Diversification does not protect an investor against a loss in a particular market; however it allows an investor to spread that risk across various asset classes. **Sharpe ratio** is a risk-adjusted measure calculated as the ratio of excess return to standard deviation. The Sharpe ratio determines reward per unit of risk. The higher the Sharpe ratio, the better the historical risk-adjusted performance.

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.

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