

# Global Balanced Defensive Fund

MARKETING COMMUNICATION | PORTFOLIO SOLUTIONS GROUP | INVESTMENT IDEA | DECEMBER 2023

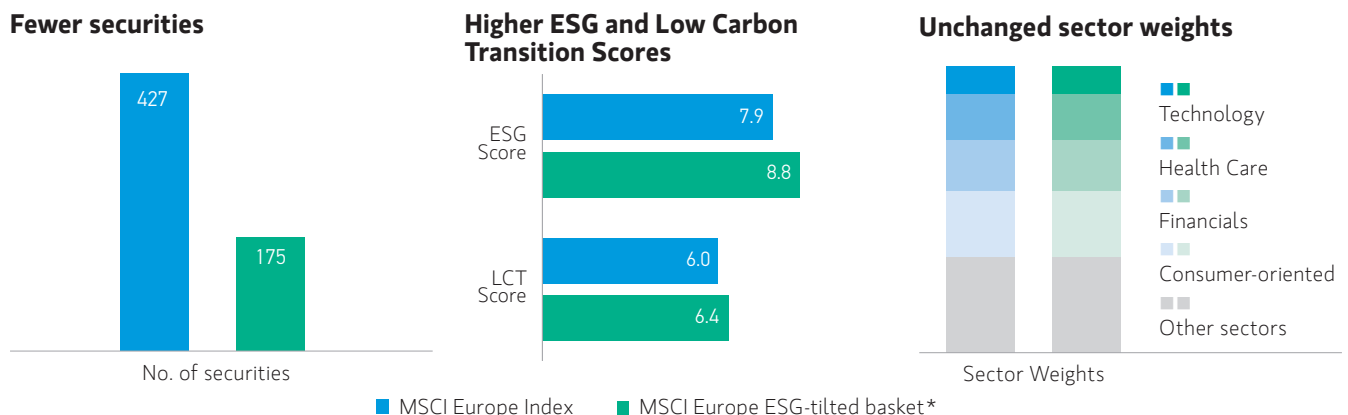
Known for its expertise in risk control, the Portfolio Solutions Group (“PSG” or the “Team”) has put its time-tested process to work in a multi-asset ESG-tilted fund.<sup>1</sup> By considering ESG factors, the PSG seeks to improve the fund’s risk-return profile and meet the needs of clients who seek a sustainable investment solution. Targeting a 2% - 6% risk range,<sup>2</sup> 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 Controlled**  
 By anticipating and controlling risk, the team seeks to maintain fund volatility within a target range. 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<sup>3</sup> 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 Defensive Fund’s European equity allocation, to illustrate the effects of considering ESG factors



Source: Morgan Stanley Investment Management and MSCI as of 31 December 2023. For illustrative purposes only; not to be construed as recommendation to invest in sectors mentioned above.

\* The MSCI Europe ESG-tilted basket represents the European equity exposure for the MS INVF Global Balanced Defensive Fund. The investment team constructs an optimised securities basket based on the MSCI Europe Index and applies an ESG-tilt based on third-party data, which includes restriction screening and ESG integration.

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.

<sup>1</sup> ESG stands for environmental, social and governance

<sup>2</sup> Total portfolio risk defined in terms of volatility. Target provided is indicative only and is not guaranteed in any way.

<sup>3</sup> 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 Portfolio Solutions Group. PSG manages multi-asset portfolios for clients worldwide. The Portfolio Solutions Group oversees \$36.6bn in client assets, of which \$19.5bn AUM is in the Global Balanced Risk Control (GBaR) Strategy as of 31 December 2023. The team's philosophy is to harness the power of risk by employing a dynamic, controlled and sustainable process.



### RUI DE FIGUEIREDO

Co-Head and CIO of the Solutions & Multi-Asset Group

Joined the firm in 2007 and has over 26 years of investment experience.



### RYAN MEREDITH

Head of the Portfolio Solutions Group

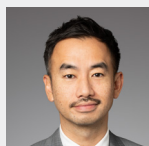
Joined the firm in 2007 and has over 25 years of investment experience.



### JIM CARON

Chief Investment Officer

Joined the firm in 2006 and has over 32 years of investment experience.



### DAMON WU

Portfolio Manager

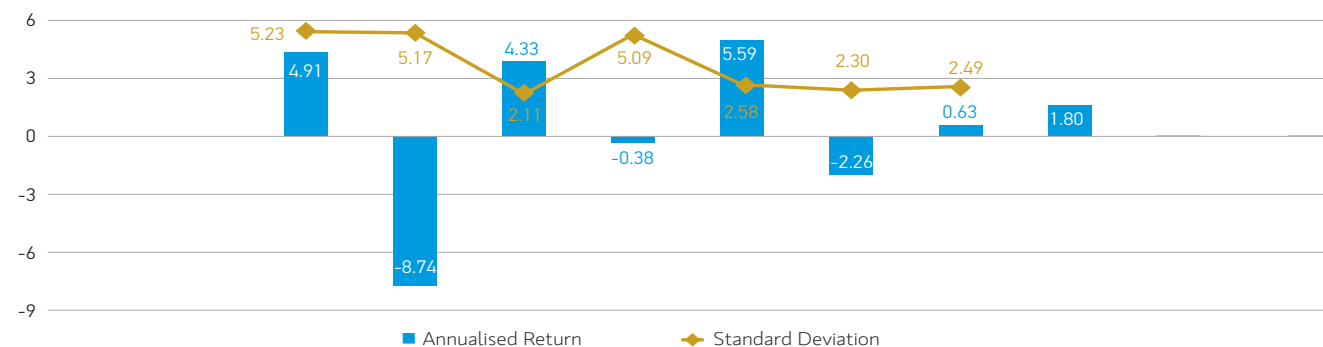
Joined the firm in 2008 and has over 17 years of investment experience.

Team members may be subject to change at any time without notice.

## Calendar Year Returns (%)

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

Past performance is not a reliable indicator of future performance.



	2023	2022	2021	2020	2019	2018	2017	2016**	2015	2014
Returns	4.91	-8.74	4.33	-0.38	5.59	-2.26	0.63	1.80	-	-
Standard Deviation	5.23	5.17	2.11	5.09	2.58	2.30	2.49	-	-	-
Sharpe Ratio	0.29	-1.71	2.32	0.01	2.31	-0.84	0.39	-	-	-

Source: MSIM, 31 December 2023. 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 seven year track record

MS INVF Global Balanced Defensive Fund – Class Z (net of fees euro %) as of 31 December 2023

	YTD**	1Y ANN	3Y ANN	5Y ANN	SI ANN
Annualised Return	4.91	4.91	-0.04	0.99	0.69
Standard Deviation	-	5.23	4.68	4.42	3.88
Sharpe Ratio	-	0.29	-0.22	0.13	0.13

Source: MSIM, 31 December 2023. 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.
- 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 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.

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 [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. Luxemburg 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.

## 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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