Morgan Stanley

INVESTMENT MANAGEMENT

Morgan Stanley Global Balanced Sustainable Strategy

Impact Investment Methodology

MARKETING COMMUNICATION | GLOBAL BALANCED RISK CONTROL TEAM | APRIL 2022

The purpose of this document is to describe the Global Balanced Risk Control team's approach to impact investment by providing an overview of our impact investment methodology. This policy applies to the Morgan Stanley Global Balanced Sustainable Strategy.

1. Our Multi-Asset Definition of Impact Investment

Impact Investments are investments made with the intention to generate positive, measurable social and/or environmental impact alongside a financial return. The Global Balanced Risk Control (GBaR) team's definition of "Impact Investment(s)" is aligned with that of the Global Impact Investing Network (GIIN).[1] The team focus on investments that generate a measurable, positive environmental and social impact alongside a financial return.

2. Our Impact Themes

Our Impact Investments are guided by four overarching themes representing the key challenges to achieving an environmentally sustainable and socially inclusive future: two key Environmental Themes: Climate and Natural Capital, and two Social Themes: Basic Needs and Empowerment. The themes are applicable across asset classes.

This Impact Investment framework is informed by our own research and other internationally accepted impact frameworks. On the following page, we have indicated our themes, examples of sub-themes and corresponding U.N. Sustainable Development Goals (SDGs).

3. Our Multi-Asset Approach to Impact Investment

The Morgan Stanley Global Balanced Sustainable Strategy aims to allocate 5% to 30% to impact investment opportunities according to the definition above.

Currently, we select best-in-class (both internal or third-party) Impact Investment funds to gain exposure to impact opportunities. The team leverages our long-standing manager selection process and experience gained since 2009. The due diligence framework involves qualitative

[1] www.thegiin.org/impact-investing/need-to-know/ Accessed 12 May 2022, the Global Impact Investing Network.

	SOCIAL		ENVIRONMENTAL	
OVERARCHING THEMES	**BASIC NEEDS**	**EMPOWERMENT**	**CLIMATE**	**NATURAL CAPITAL**
EXAMPLES OF KEY SUB-THEMES	• Healthcare • Affordable Housing • Sanitation • Nutrition	• Education • Financial Inclusion • Digital Divide • Diversity & Inclusion	• Energy Efficiency • Renewable Energy • Green Buildings	• Waste & Resource Management • Pollution Control • Water • Sustainable Agriculture and Forestry • Biodiversity
U.N. SDG	1 NO POVERTY 2 ZERO HUNGER 3 GOOD HEALTH AND WELL-BEING 11 SUSTAINABLE CITIES AND COMMUNITIES	1 NO POVERTY 4 QUALITY EDUCATION 8 DECENT WORK AND ECONOMIC GROWTH 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	7 AFFORDABLE AND CLEAN ENERGY 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 11 SUSTAINABLE CITIES AND COMMUNITIES	2 ZERO HUNGER 6 CLEAN WATER AND SANITATION 14 LIFE BELOW WATER 15 LIFE ON LAND

A list and further description of the SDGs can be found at www.un.org/sustainabledevelopment/sustainable-development-goals for more details on the Sustainable Development Goals.

and quantitative analyses, aimed at providing thorough fund assessments, complemented by a third-party opinion from an established consultant. In addition, the team applies additional considerations to Impact Investments:

1. **INTENTIONALITY:** We seek to identify managers who have the explicit intention of contributing to environmental and/or social solutions through their investments, by aligning to the impact themes described above, alongside a financial return.
2. **PURITY:** We seek to identify funds that target businesses deriving the majority of their revenue from products and services aimed at addressing environmental or social challenges as defined above.
3. **REPORTING:** We seek to identify managers who are committed to measuring and reporting on the social and environmental performance of their funds, ensuring transparency.
4. **DIVERSIFICATION:** We make sure the funds we invest in are well diversified, within both the Impact Investment allocation and the broader portfolio context.

4. Reporting on Impact

It is our intention to maintain Impact Investment exposure, as described above, and to select funds and, where relevant, securities, based on the described approach. The reporting considerations mentioned above aim to ensure that impact measurement is central to our Impact Investments. Given the lack of applicable harmonised reporting frameworks, we currently rely on the fund managers to decide how to best measure the nonfinancial performance of their funds, and to continue developing impact measurements and participate achieve agreement with the wider industry.

The GBaR team monitors market developments to inform our Impact Investment definition and approach, as well as market developments of impact metrics. This includes internal enhancements such as a quantitative tool to monitor our Impact Investments. We aim to make this available to investors as data become available, and to integrate such data in a future version of this methodology.

This represents how the portfolio management team generally implements its investment process under normal market conditions.

Risk Considerations

Diversification does not eliminate the risk of loss.

There is no assurance that the Strategy will achieve its investment objective. Portfolios are subject to market risk, which is the possibility that the market values of securities owned by the portfolio will decline and that the value of portfolio shares may therefore be less than what you paid for them. Market values can change daily due to economic and other events (e.g. natural disasters, health crises, terrorism, conflicts and social unrest) that affect markets, countries, companies or governments. It is difficult to predict the timing, duration, and potential adverse effects (e.g. portfolio liquidity) of events. Accordingly, you can lose money investing in this portfolio. Please be aware that this strategy may be subject to certain additional risks. **ESG strategies** that incorporate impact investing and/or environmental, social and governance (ESG) factors could result in relative investment performance deviating from other strategies or broad market benchmarks, depending on whether such sectors or investments are in or out of favour in the market. As a result, there is no assurance ESG strategies could result in more favourable investment performance. There is the risk that the Adviser's **asset allocation methodology and assumptions** regarding the Underlying Portfolios may be incorrect in light of actual market conditions and the Portfolio may not achieve its investment objective. Share prices also tend to be volatile and there is a significant possibility of loss. The portfolio's investments in **commodity-linked notes** involve substantial risks, including risk of loss of a significant portion of their principal value. In addition to commodity risk, they may be subject to additional special risks, such as risk of loss of interest and principal, lack of secondary market and risk of greater volatility, that do not affect traditional equity and debt securities. **Currency fluctuations** could erase investment gains or add to investment losses. **Fixed-income securities** are subject to the ability of an issuer to make timely principal and interest payments (credit risk), changes in interest rates (interest-rate risk), the creditworthiness of the issuer and general market liquidity (market risk). In a rising interest-rate environment, bond prices may fall and may result in periods of volatility and increased portfolio redemptions. In a declining interest rate environment, the portfolio may generate less income. Longer-term securities may be more sensitive to interest rate changes. **Equity and foreign securities** are generally more volatile than fixed income securities and are subject to currency, political, economic and market risks. Equity values fluctuate in response to activities specific to a company. Stocks of **small-capitalization companies** carry special risks, such as limited product lines, markets and financial resources, and greater market volatility than securities of larger, more established companies. The risks of investing in **emerging market** countries are greater than risks associated with investments in foreign developed markets. **Exchange traded funds (ETFs)** shares have many of the same risks as direct investments in common stocks or bonds and their market value will fluctuate as the value of the underlying index does. By investing in exchange traded funds ETFs and other **Investment Funds**, the portfolio absorbs both its own expenses and those of the ETFs and Investment Funds it invests in. Supply and demand for ETFs and Investment Funds may not be correlated to that of the underlying securities. **Derivative instruments** can be illiquid, may disproportionately increase losses and may have a potentially large negative impact on the portfolio's performance. A **currency forward** is a hedging tool that does not involve any upfront payment. The use of **leverage** may increase volatility in the Portfolio. **Diversification** does not protect you against a loss in a particular market; however, it allows you to spread that risk across various asset classes.

Charts and graphs provided herein are for illustrative purposes only. **Past performance is no guarantee of future results.**

The indexes are unmanaged and do not include any expenses, fees or sales charges. It is not possible to invest directly in an index. 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.

This material is not a product of Morgan Stanley's Research Department and should not be regarded as a research material or a recommendation.

The Firm has not authorised financial intermediaries to use and to distribute this material, unless such use and distribution is made in accordance with applicable law and regulation. Additionally, financial intermediaries are required to satisfy themselves that the information in this material is appropriate for any person to whom they provide this material in view of that person's circumstances and purpose. The Firm shall not be liable for, and accepts no liability for, the use or misuse of this material by any such financial intermediary.

This material may be translated into other languages. Where such a translation is made this English version remains definitive. If there are any discrepancies between the English version and any version of this material in another language, the English version shall prevail.

DISTRIBUTION

This material 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.

MSIM, the asset management division of Morgan Stanley (NYSE: MS), and its affiliates have arrangements in place to market each other's products and services. Each MSIM affiliate is regulated as appropriate in the jurisdiction it operates. MSIM's affiliates are: Eaton Vance Management (International) Limited, Eaton Vance Advisers International Ltd, Calvert Research and Management, Eaton Vance Management, Parametric Portfolio Associates LLC, and Atlanta Capital Management LLC.

This material has been issued by any one or more of the following entities:

EMEA:

This material is for Professional Clients/Accredited Investors only.

In the EU, MSIM and Eaton Vance materials are issued by MSIM Fund Management (Ireland) Limited ("FMIL"). FMIL is regulated by the Central Bank of Ireland and is incorporated in Ireland as a private company limited by shares with company registration number 616661 and has its registered address at The Observatory, 7-11 Sir John Rogerson's Quay, Dublin 2, D02 VC42, Ireland.

Outside the EU, MSIM materials are 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.

In Switzerland, MSIM materials are issued by Morgan Stanley & Co. International plc, London (Zurich Branch) Authorised and regulated by the Eidgenössische Finanzmarktaufsicht ("FINMA"). Registered Office: Beethovenstrasse 33, 8002 Zurich, Switzerland.

Outside the US and EU, Eaton Vance materials are issued by Eaton Vance Management (International) Limited ("EVMI") 125 Old Broad Street, London, EC2N 1AR, UK, which is authorised and regulated in the United Kingdom by the Financial Conduct Authority.

Italy: MSIM FMIL (Milan Branch), (Sede Secondaria di Milano) Palazzo Serbelloni Corso Venezia, 16 20121 Milano, Italy. **The Netherlands:** MSIM FMIL (Amsterdam Branch), Rembrandt Tower, 11th Floor Amstelplein 1 1096HA, Netherlands. **France:** MSIM FMIL (Paris Branch), 61 rue de Monceau 75008 Paris, France. **Spain:** MSIM FMIL (Madrid Branch), Calle Serrano 55, 28006, Madrid, Spain.

MIDDLE EAST

Dubai: MSIM Ltd (Representative Office, Unit Precinct 3-7th Floor-Unit 701 and 702, Level 7, Gate Precinct Building 3, Dubai International Financial Centre, Dubai, 506501, United Arab Emirates. Telephone: +97 (0)14 709 7158).

U.S.

NOT FDIC INSURED |OFFER NO BANK GUARANTEE | MAY LOSE VALUE |NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY | NOT A DEPOSIT

Hong Kong: This material is disseminated by Morgan Stanley Asia Limited for use in Hong Kong and shall only be made available to "professional investors" as defined under the Securities and Futures Ordinance of Hong Kong (Cap 571). The contents of this material have not been reviewed nor approved by any regulatory authority including the Securities and Futures Commission in Hong Kong. Accordingly, save where an exemption is available under the relevant law, this material shall not be issued, circulated, distributed, directed at, or made available to, the public in Hong Kong. **Singapore:** This material is disseminated by Morgan Stanley Investment Management Company and should not be considered to be the subject of an invitation for subscription or purchase, whether directly or indirectly, to the public or any member of the public in Singapore other than (i) to an institutional investor under section 304 of the Securities and Futures Act, Chapter 289 of Singapore ("SFA"); (ii) to a "relevant person" (which includes an accredited investor) pursuant to section 305 of the SFA, and such distribution is in accordance with the conditions specified in section 305 of the SFA; or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA. This publication has not been reviewed by the Monetary Authority of Singapore. **Australia:** This material is disseminated in Australia by Morgan Stanley Investment Management (Australia) Pty Limited ACN: 122040037, AFSL No. 314182, which accept responsibility for its contents. This publication, and any access to it, is intended only for "wholesale clients" within the meaning of the Australian Corporations Act. Calvert Research and Management, ARBN 635 157 434 is regulated by the U.S. Securities and Exchange Commission under U.S. laws which differ from Australian laws. Calvert Research and Management is exempt from the requirement to hold an Australian financial services licence in accordance with class order 03/1100 in respect of the provision of financial services to wholesale clients in Australia.

Japan:

For professional investors, this material is circulated or distributed for informational purposes only. For those who are not professional investors, this material is provided in relation to Morgan Stanley Investment Management (Japan) Co., Ltd. ("MSIMJ")'s business with respect to discretionary investment management agreements ("IMA") and investment advisory agreements ("IAA"). This is not for the purpose of a recommendation or solicitation of transactions or offers any particular financial instruments. Under an IMA, with respect to management of assets of a client, the client prescribes basic management policies in advance and commissions MSIMJ to make all investment decisions based on an analysis of the value, etc. of the securities, and MSIMJ accepts such commission. The client shall delegate to MSIMJ the authorities necessary for making investment. MSIMJ exercises the delegated authorities based on investment decisions of MSIMJ, and the client shall not make individual instructions. All investment profits and losses belong to the clients; principal is not guaranteed. Please consider the investment objectives and nature of risks before investing. As an investment advisory fee for an IAA or an IMA, the amount of assets subject to the contract multiplied by a certain rate (the upper limit is 2.20% per annum (including tax)) shall be incurred in proportion to the contract period. For some strategies, a contingency fee may be incurred in addition to the fee mentioned above. Indirect charges also may be incurred, such as brokerage commissions for incorporated securities. Since these charges and expenses are different depending on a contract and other factors, MSIMJ cannot present the rates, upper limits, etc. in advance. All clients should read the Documents Provided Prior to the Conclusion of a Contract carefully before executing an agreement. This material is disseminated in Japan by MSIMJ, Registered No. 410 (Director of Kanto Local Finance Bureau (Financial Instruments Firms)), Membership: the Japan Securities Dealers Association, The Investment Trusts Association, Japan, the Japan Investment Advisers Association and the Type II Financial Instruments Firms Association.

Taiwan: This material is provided for information purposes only and does not constitute a solicitation where such a solicitation is unlawful. The products mentioned herein this material may or may not have been registered with the Securities and Futures Bureau of the Financial Supervisory Commission in Taiwan, Republic of China ("ROC") pursuant to relevant securities laws and regulations. Such products may only be made available in the ROC if they are (a) registered for public sale in the ROC or (b) availed on a private placement basis to specified financial institutions and other entities and individuals meeting specific criteria pursuant to the private placement provisions of the ROC Rules Governing Offshore Funds.

Korea: This material is not, and under no circumstances is to be construed as an offering of securities in Korea. No representation is being made with respect to the eligibility of any recipients of this material under the laws of Korea, including but without limitation, the Foreign Exchange Transaction Law and Regulations thereunder. The Fund's mentioned herein this material may or may not have been registered with the Financial Services Commission of Korea under the Financial Investment Services and Capital Markets Act and may not be offered directly or indirectly, in Korea or to any resident of Korea except pursuant to applicable laws and regulations of Korea.

Canada

FOR USE ONLY WITH "PERMITTED CLIENTS" UNDER CANADIAN LAW. MAY NOT BE USED WITH THE GENERAL PUBLIC.

This presentation is communicated in Canada by Morgan Stanley Investment Management Inc. ("MSIM"), which conducts its activities in Canada pursuant to the international adviser exemption from the Canadian adviser registration requirements. This presentation does not constitute an offer to provide investment advisory services in circumstances where the investment adviser exemption is not available. MSIM may only advise separately managed accounts of "Permitted Clients" and may only manage accounts which invest in non-Canadian issuers. "Permitted clients" as defined under Canadian National Instrument 31-103 generally include Canadian financial institutions or individuals with $5 million (CAD) in financial assets and entities with at least $25 million (CAD) in net assets. Permitted Clients may only invest in a separately managed account referenced in this presentation by entering into an investment management agreement with MSIM, of which this presentation is not a part. Materials which describe the investment expertise, strategies and/or other aspects of MSIM-managed separately managed accounts may be provided to you upon request for your consideration of the available investment advisory services offered by MSIM. MSIM and certain of its affiliates may serve as the portfolio manager to separately managed accounts described in this presentation and may be entitled to receive fees in connection therewith.

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

CRC 4738080 Exp. 31.05.23 10231914_KC_0622