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PLEASE SEEK PROFESSIONAL ADVICE**

MORGAN STANLEY INVESTMENT FUNDS

Société d'Investissement à Capital Variable

Registered office: 6B, route de Trèves, L-2633 Senningerberg

R.C.S. Luxembourg: B 29192

(The “**Company**”)

**NOTICE TO SHAREHOLDERS OF MORGAN STANLEY INVESTMENT FUNDS
EMERGING MARKETS EQUITY FUND (THE “FUND”)**

Luxembourg, 30 September 2021

Dear Shareholder,

We are writing to you as a holder of shares in the Fund.

The Board has resolved to amend the investment policy of the Fund and to rename it “Morgan Stanley Investment Funds Sustainable Emerging Markets Equity Fund”.

The amendments to the investment policy of the Fund (the “**Amendments**”) include the following:

- elaborating on the integration of environmental, social and governance (“**ESG**”) criteria and sustainability themes in the investment decision-making of the Investment Adviser in targeting the investment objective of the Fund;
- clarifying that the Fund will be focused on companies that are positively contributing to the sustainable development of Emerging Market countries, and will seek to exclude companies that are highly exposed to Sustainability Risks;
- clarifying that the aim of the Investment Adviser will be to ensure that at least 90% of the Fund’s portfolio is subject to the sustainability analysis described in the revised investment policy of the Fund;
- clarifying that the Investment Adviser will implement a top-down driven approach to identify investment opportunities across the permissible investment universe, and select companies utilizing the Investment Adviser’s fundamental bottom up security selection process;
- adding ESG-related investment restrictions to exclude companies involved in certain industries from the investment universe;
- clarifying that the Investment Adviser may, in its discretion, elect to apply additional ESG-related investment restrictions over time that it believes are consistent with the Fund’s investment objectives;
- including the possibility to invest on an ancillary basis in equity securities not meeting the criteria of the Fund’s primary investments; and
- increasing the investment limit with respect to the investment in China A-Shares via Stock Connect from 10% to 20% of the Fund’s net assets.

Please refer to the Appendix which shows how the investment policy of the Fund will be amended.

The Amendments aim to meet the requirements of the “Sustainable Approach”. This means the Amendments are intended to enable the Fund to meet the requirements to be regarded as having adopted a “significantly engaging” approach under position-recommendation DOC-2020-03 issued on 11 March 2020 by the French financial markets regulator, the *Autorité des Marchés Financiers* (“**AMF**”), on the information to be provided by collective investment schemes incorporating non-financial approaches (the “**AMF Position**”). The AMF

Position applies to funds which are authorized for marketing in France, including the Fund. The Amendments are also intended to clarify the basis on which the Fund is classified as an Article 8 Product under Regulation (EU) 2019/2088 of the European Parliament and of the Council on sustainability-related disclosures in the financial services sector (SFDR). The Amendments aim to increase the harmonization of, and transparency towards the investors with regard to the integration of sustainability risks, the consideration of adverse sustainability impacts, the promotion of environmental or social characteristics and sustainable investment.

The Amendments will take effect on 1 November 2021 (the “**Effective Date**”).

The prospectus of the Company (the “**Prospectus**”) and Product Key Facts (“**KFS**”) of the Fund will reflect the Amendments and will be posted on the Company’s website (www.morganstanleyinvestmentfunds.com)¹ as soon as practicable.

The Amendments will not materially affect or prejudice the rights or interests of existing investors of the Fund. There will be no material change to the overall risk profile of the Fund as a result of the Amendments. The Fund will be managed in accordance with the amended investment strategy from the Effective Date. There will be no change in the fee structure, the fee level or cost in managing the Fund. The cost of effecting the Amendments will be borne by the current management company, MSIM Fund Management (Ireland) Limited.

Your options

1. If you do not object to the Amendments, you do not need to take any action. The Amendments will automatically come into effect as of the Effective Date.

2. If you disagree with the Amendments, you may either:

a) Convert your Shares into another fund of the Company authorized by the SFC and distributed to Hong Kong investors. Any applications for conversion must be received by 1 pm CET on 29 October 2021 and be made in accordance with section 2.4 “Conversion of Shares” of the Prospectus. Please note that an earlier cut off time may be imposed by the intermediaries. Please ensure that you read the Prospectus and KFS for any fund that you are considering converting into and seek advice from your financial adviser if you are unsure about the action you should take;

Or,

b) Redeem your investment. Any applications for redemption must be received by 1 pm CET on 29 October 2021.

Conversions or redemptions will be processed free of charge (with the exception of any applicable Contingent Deferred Sales Charges) at the relevant net asset value per share on the Dealing Day on which the relevant shares are redeemed or converted, in accordance with the terms of the Prospectus.

The changes described in this Notice will not give rise to additional costs and expenses implications (other than costs associated with update of the Prospectus and the KFS, which will be borne by the current management company).

Capitalised terms used in this notice shall have the meaning ascribed to them in the current Prospectus, unless the context otherwise requires.

¹ Please note that this website has not been reviewed by the SFC.

The Board accepts responsibility for the accuracy of the information contained in this notice. The revised Hong Kong Prospectus and KFS will be available to investors, free of charge, at the Hong Kong Representative, Morgan Stanley Asia Limited's office (contacts are set out below).

Should you have any questions or concerns about the foregoing, please contact the Company at its registered office in Luxembourg, the Investment Adviser of the Company or the representative of the Company in your jurisdiction. For Hong Kong residents who require further information, please contact Morgan Stanley Asia Limited of Floor 41, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong or on (852) 2848 6632.

You should inform yourself of, and where appropriate take advice on, the tax consequences of the foregoing in your country of citizenship, residence or domicile.

Luxembourg, 30 September 2021

Yours sincerely

On behalf of the Company

MSIM FUND MANAGEMENT (IRELAND) LIMITED

Appendix

The revised investment policy of the Fund

The [Sustainable](#) Emerging Markets Equity Fund's investment objective is to seek to maximise total return, measured in US Dollars, through investment primarily in emerging market country equity securities. The Fund will principally invest in those ~~emerging market~~ [Emerging Market \(as defined below\)](#) countries in which the Company believes that economies are developing strongly and in which the markets are becoming more sophisticated. "Emerging Market" countries, for the purposes of this Fund, are as defined by the MSCI Emerging Markets Net Index (the "EME Benchmark"), provided that the markets of these countries are considered to be recognised exchanges ("Recognised Exchanges") within the meaning of Article 41(1) of the 2010 Law. To achieve its principal investment in Emerging Market countries, the Fund may invest in the securities of companies ~~organised and~~ [organized under the laws of](#), located in [or which have a principal office in](#), Emerging Market countries and may also invest in the securities of companies ~~organised and~~ [organized under the laws of](#), located in [or which have a principal office in](#) Developed Market countries (for the purposes of this Fund, as defined by MSCI World [Index](#)) where the ~~value of the company's securities will reflect principally conditions in an emerging country, or where the~~ principal securities trading market ~~for which~~ is in an ~~emerging~~ [Emerging Market](#) country, or where, at the time of purchase, 50% of the company's revenue alone or on a consolidated basis is derived from ~~either~~ goods produced, sales made or services performed in ~~emerging one or more Emerging Market countries, or where the company has at least 50% of its assets, core business operations and/or employees in Emerging Market~~ countries, or in other equity linked instruments located in Developed Markets but providing exposure to Emerging Markets (for example depositary receipts) ("EM Exposed Securities").

The Fund may invest on an ancillary basis in eligible Frontier Markets equity (meaning those countries that are neither Developed Markets nor Emerging Markets as such terms are defined above for this Fund) [or in equity securities not meeting the criteria of the Fund's primary investments](#). The Fund may also invest on an ancillary basis in units/shares of other collective investment schemes, including the Company's Funds as well as in closed-end funds, China A-Shares via Stock Connect, Fixed Income Securities, debt securities convertible into common shares, preference shares, participatory notes and warrants, in each case to gain exposure to Emerging Markets or Frontier Markets. The Fund may also invest up to ~~40~~20% of its net assets in China A-Shares via Stock Connect. For temporary defensive purposes, during periods in which the Company believes changes in economic, financial or political conditions make it advisable, the Fund may reduce its holdings in ~~emerging~~ [Emerging Market](#) country equity securities to below 50% of the Fund's assets and invest in equity securities in Developed Market countries (whether EM Exposed Securities or not) or in Fixed Income Securities (whether providing exposure to Emerging Markets or Developed Markets).

[In targeting its investment objective, the Investment Adviser will consider ESG criteria \(as detailed below\) in order to invest in companies which \(i\) perform better than their peers on one or more sustainability themes \(as detailed below\); and \(ii\) are positioned to benefit from, and/or contribute to, the sustainable development of the countries in which they operate based on the Investment Adviser's ESG criteria. The application of these ESG criteria should result in a 20% or more reduction of the investible universe as defined in the first two paragraphs above. The aim of the Investment Adviser will be to ensure that at least 90% of the Fund's portfolio is subject to the sustainability analysis described above.](#)

[In relation to this Fund, "Sustainable" means that the Investment Adviser integrates the consideration of ESG criteria and sustainable themes in its investment decision-making. ESG criteria may include, but are not limited to, carbon emissions, resource management, waste management, biodiversity, labour management, gender diversity, health & safety, product safety, data privacy & security, executive remuneration, board independence and shareholders rights. Sustainability themes may include, but are not limited to, climate change, natural capital, human capital, access and affordability, and innovation/infrastructure. The Fund seeks to achieve a lower carbon footprint than the EME Benchmark in aggregate at the portfolio level. With an increased investment focus on companies that positively contribute to and/or address one or more sustainability themes including climate change, the Fund will strive to align with the objectives of the Paris Agreement.](#)

In terms of investing in companies that perform better than their peers on one or more sustainability themes, the Investment Adviser believes companies with forward-looking management teams that establish proactive strategies on the sustainability and ESG issues as described in this investment policy will be better positioned from a business and financial perspective over the long term than companies that do not consider them. The Investment Adviser will support this stock selection process with research and analysis, including direct company engagements and third-party data.

In addition to investing in companies that follow good governance practices and that exhibit strong management of sustainability factors relative to peers, the Fund will invest in companies from Emerging Market countries that offer scalable and profitable solutions to address pressing sustainability issues including climate change and environmental/resource management. The Fund seeks to invest in companies whose product revenues, policies, initiatives, industry leadership, and/or established targets proactively address one or more of the above sustainability themes. The Fund will be focused on companies that are positively contributing to the sustainable development of Emerging Market countries, applying both a best-in-class and best effort approach to its investment selection in this regard. By applying a best-in-class approach, priority is given to the companies best positioned from a non-financial viewpoint within their sector of activity, without favouring or excluding one sector relative to the stock market index used as a basis for starting. By applying a best-effort approach, priority is given to the issuers demonstrating an improvement in or good prospects for their ESG practices and performance over time. The Fund will also seek to exclude companies that are highly exposed to Sustainability Risks.

The Investment Adviser will implement a top-down driven approach to identify investment opportunities across the permissible investment universe, and select companies utilizing the Investment Adviser's fundamental bottom up security selection process. ESG criteria are considered by the Investment Adviser during both the investment and research process to limit exposure to Sustainability Risks and seek out investment opportunities that are aligned with the sustainability themes identified above. The Investment Adviser focuses on engaging company management on what it deems to be materially important environmental and/or social issues facing a company as well as around corporate governance practices.

Investments shall not knowingly include any company involved in the manufacturing or production of:

- tobacco²;
- adult entertainment;
- civilian firearms;
- controversial weapons;
- coal³;
- oil sands⁴;
- Arctic oil⁵; and
- gambling⁶.

The Investment Adviser may, in its discretion, elect to apply additional ESG-related investment restrictions over time that it believes are consistent with its investment objectives. Such additional restrictions will be disclosed as they are implemented on www.morganstanleyinvestmentfunds.com and on www.morganstanley.com/im. The current exclusions (and any additional restrictions applied over time) are determined by the Investment Adviser's own proprietary analysis rather than reliance on third party analysis.

² The Fund does not invest in securities of issuers that generate 5% or more of revenue from the manufacture of tobacco products or from the supply of key products necessary for the production of tobacco products, such as filters.

³ The Fund does not invest in securities of issuers that generate 10% or more of their revenue from the mining and extraction of thermal coal, or from coal-fired power.

⁴ The Fund does not invest in securities that derive 5% or more of their revenues from the extraction or production of oil sands.

⁵ The Fund does not invest in securities of issuers that generate 5% or more of their revenue from oil extraction or production in the Arctic region, including in the Arctic National Wildlife Refuge (ANWR).

⁶ The Fund does not invest in securities of issuers that generate 5% or more of revenue from gambling activities.

However, the analysis may be supported by third party ESG controversies analysis and business involvement research. The exclusions are applied to all equity investments within the Fund. The exclusions will not be applied to investments in which the Investment Adviser does not have direct control of the underlying holdings, for example collective investment schemes or open-ended ETFs. The exclusions are subject to periodic review and any changes will be reflected in the exclusion policy document. Investments that are held by the Fund but become restricted after they are acquired for the Fund will be sold. Such sales will take place over a time period to be determined by the Investment Adviser, taking into account the best interests of the Shareholders of the Fund.

The Fund references third party ESG data during the security research process, but does not rely on third party ESG data for the purposes of constructing the portfolio. The Investment Adviser relies on its own proprietary analysis for security selection and portfolio construction rather than third party analysis. However, in some cases data on specific issuers or the exclusions noted above may not be available and/or may be estimated by the Investment Adviser using reasonable estimates or third-party data.

The Investment Adviser integrates Sustainability Risks into its investment decision-making process, including in the conduct of due diligence and research, valuation, asset selection, portfolio construction, and ongoing investment monitoring and portfolio management. In doing so, the Investment Adviser gives due consideration to the relevance and potential materiality of Sustainability Risks for a particular investment opportunity or for the portfolio as a whole in the context of the investment objective and intended time horizon for holding a particular security. Sustainability Risks may negatively impact the value of a security or portfolio. In order to mitigate the Sustainability Risks, the Investment Adviser may sell or underweight a security that is subject to such risks, commence active dialogue/ engagement with company management, or make adjustments to the top-down allocations to geographies, sectors, or asset classes. In implementing its integration of Sustainability Risks, the Investment Adviser may utilize a combination of information sources, including company-disclosed information, non-company disclosed information, and third-party research and data.

~~The investment process takes into account information about ESG issues when making investment decisions. The Investment Adviser focuses on engaging company management around corporate governance practices as well as what it deems to be materially important environmental and/or social issues facing a company.~~

The Fund is actively managed and references the EME Benchmark for the purpose of defining a geographical allocation of the countries the Fund will invest into. The Investment Adviser has full discretion over the composition of the assets in the Fund. While the Fund will generally hold assets within the countries referenced in the EME Benchmark, it can invest in such securities from countries in different proportions to their allocations under the EME Benchmark, and it can hold assets which are not exposed to countries referenced in the EME Benchmark. Hence, there are no restrictions on the extent to which the Fund's performance may deviate from the EME Benchmark. The EME Benchmark is used for performance comparison purposes only and does not integrate environmental or social characteristics.

The Fund's performance is measured against a benchmark as detailed in the Fund's key investor information document.

Profile of the typical investor

In light of the Sustainable Emerging Markets Equity Fund's investment objective it may be appropriate for investors who:

- seek to invest in equity securities;
- seek capital appreciation over the long term;
- seek income whether in the form of capital appreciation or distributions, as outlined in "Dividend Policy";
- accept the risks associated with this type of investment, as set out in Section 1.5 "Risk Factors".¹