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**MORGAN STANLEY INVESTMENT FUNDS**

*Société d'Investissement à Capital Variable*

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

R.C.S. Luxembourg: B 29 192

(the "**Company**")

**NOTICE TO SHAREHOLDERS**

Luxembourg, 30 September 2021

Dear shareholder,

We are writing to you as a holder of shares in one or more funds of the Company (each a "**Fund**" and collectively, the "**Funds**").

The board of directors of the Company (the "**Board**") has decided to proceed with some amendments to the prospectus of the Company (the "**Prospectus**") as disclosed below.

**I. Material changes applicable to specific Funds in relation to ESG considerations**

On 27 November 2019, Regulation (EU) 2019/2088 of the European Parliament and of the Council on sustainability-related disclosures in the financial services sector was published (the "**SFDR**"). The SFDR aims to increase the harmonization of, and transparency towards the end 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 by requiring pre-contractual and ongoing disclosures to end investors.

The SFDR provides high-level definitions and distinguishes between several categorisations of products including "article 8 products" which are financial products that promote, among other characteristics, environmental or social characteristics, or a combination of those characteristics, provided that the companies in which the investments are made follow good governance practices ("**SFDR Article 8 Products**") and "article 9 products" which are products that have sustainable investment as their objective ("**SFDR Article 9 Products**").

With regards to certain Funds, independently the French *Autorité des Marchés Financiers* ("**AMF**") issued on 11 March 2020 a position-recommendation DOC-2020-03 on the information to be provided by collective investment schemes incorporating non-financial approaches (the "**AMF Position**") including in relation to Environmental, Social and Governance ("**ESG**") factors. The first three Funds listed below which are indicated in this notice as meeting the requirements of the "Sustainable Approach" apply to their investment policy the requirements for "Sustainable Approach" products specified in the AMF Position. Thus, the application of ESG criteria should result in a 20% or more reduction of the investible universe of these Funds.

• **Changes to Morgan Stanley Investment Funds Global Credit Fund**

The Board has resolved to amend the investment policy of Morgan Stanley Investment Funds Global Credit Fund and to rename it "Morgan Stanley Investment Funds Sustainable Global Credit Fund".

The investment policy will be amended in order to meet the requirements of the Sustainable Approach and to classify as an SFDR Article 9 Product and shall read as detailed in Appendix 1 (new wording is in bold and the wording to be removed is struck through).

*UCITS DO NOT HAVE A GUARANTEED RETURN AND PAST PERFORMANCE DOES NOT GUARANTEE FUTURE RETURNS*

- **Changes to Morgan Stanley Investment Funds Emerging Leaders Equity Fund**

The Board has resolved to amend the investment policy of Morgan Stanley Investment Funds Emerging Leaders Equity Fund.

The investment policy will be amended in order to meet the requirements of the Sustainable Approach and to classify as an SFDR Article 8 Product and to increase the investment limit with regard to the investment in China A-shares via Stock Connect from 10% to 20%. The amended investment policy shall read as detailed in Appendix 2 (new wording is in bold and the wording to be removed is struck through).

- **Changes to Morgan Stanley Investment Funds Emerging Markets Equity Fund**

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

The investment policy will be amended in order to (i) meet the requirements of the Sustainable Approach and to classify as an SFDR Article 8 Product, (ii) to include the possibility to invest on an ancillary basis in equity securities not meeting the criteria of the Fund's primary investments and (iii) to increase the investment limit with regard to the investment in China A-shares via Stock Connect from 10% to 20%. The amended investment policy shall read as detailed in Appendix 3 (new wording is in bold and the wording to be removed is struck through).

- **Changes to Morgan Stanley Investment Funds Global Bond Fund**

The Board has resolved to amend the investment policy of Morgan Stanley Investment Funds Global Bond Fund.

The investment policy will be amended in order to classify as an SFDR Article 8 Product and shall read as detailed in Appendix 4 (new wording is in bold and the wording to be removed is struck through) .

- **Changes to Morgan Stanley Investment Funds Global Convertible Bond Fund**

The Board has resolved to amend the investment policy of Morgan Stanley Investment Funds Global Convertible Bond Fund.

The investment policy will be amended in order to classify as an SFDR Article 8 Product and shall read as detailed in Appendix 5 (new wording is in bold and the wording to be removed is struck through).

- **Changes to Morgan Stanley Investment Funds US Dollar Short Duration High Yield Bond Fund**

The Board has resolved to amend the investment policy of Morgan Stanley Investment Funds US Dollar Short Duration High Yield Bond Fund.

The investment policy will be amended in to classify as an SFDR Article 8 Product and shall read as detailed in Appendix 6 (new wording is in bold and the wording to be removed is struck through).

- **Changes to Morgan Stanley Investment Funds Emerging Markets Debt Fund**

The Board has resolved to amend the investment policy of Morgan Stanley Investment Funds Emerging Markets Debt Fund.

The investment policy will be (i) supplemented by the language detailed in Appendix 7 (new wording is in bold and the wording to be removed is struck through) in order to classify as an SFDR Article 8

Product and (ii) to increase the investment limit with regard to the investment in China Interbank Bond Market from 10% to 20%.

- **Changes to Morgan Stanley Investment Funds Emerging Markets Domestic Debt Fund**

The Board has resolved to amend the investment policy of Morgan Stanley Investment Funds Emerging Markets Domestic Debt Fund.

The investment policy will be (i) supplemented by the language detailed in Appendix 8 (new wording is in bold and the wording to be removed is struck through) in order to classify as an SFDR Article 8 Product and (ii) to increase the investment limit with regard to the investment in China Interbank Bond Market from 10% to 20%.

- **Changes to Morgan Stanley Investment Funds Sustainable Asian Equity Fund**

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

The current second and third paragraphs of the investment policy will be amended (which will become the third and fourth paragraphs following a reshuffle of the investment policy) in order to state that the Fund will maintain a lower carbon footprint than the MSCI Asia ex Japan Net Index and to mention the sustainability themes considered by the Investment Adviser. These paragraphs shall read as follows (new wording is in bold and the wording to be removed is struck through):

*“In relation to this Fund, “Sustainable” means that the Investment Adviser integrates the consideration of sustainable themes and ESG issues in its investment decision-making, ~~in its discretion~~. The Fund will invest in companies from the Asia excluding Japan region markets, ~~with positive~~ **that positively contribute to** and/or ~~improving alignment to~~ **address** one or more sustainability themes including but not limited to climate change, natural capital, human capital, **access** and **ESG affordability**, and innovation/infrastructure. The Fund will also strive to align with the objectives of the Paris Agreement on climate change. **The Fund seeks to achieve a lower carbon footprint than the MSCI Asia ex Japan Net Index.**”*

*The Investment Adviser believes companies with forward-looking management teams that establish proactive strategies on these sustainability and ESG issues will be better positioned from a business and financial perspective over the long term than companies that do not consider them. ~~A security will be considered aligned to one or more of these themes if the company shows evidence of~~ **The Fund seeks to invest in companies whose** product revenues, policies, initiatives, industry leadership, and/or established targets ~~to~~ proactively address one or more of ~~these~~ **the above sustainability** themes. ~~Alignment will be determined by the~~ **The Investment Adviser’s will support this stock selection process with** research and analysis, ~~supported by~~ **including** direct company engagements and third-party data.”*

## **II. Other material changes applicable to specific Funds**

- **Amendments to the investment policy of Morgan Stanley Investment Funds Global Balanced Risk Control Fund of Funds**

The Board has resolved to amend the second paragraph of the investment policy of Morgan Stanley Investment Funds Global Balanced Risk Control Fund of Funds in order to include the possibility for the Fund to invest on an ancillary basis in equity securities including eligible closed-end Real Estate Investment Trusts (REITs), Fixed Income Securities (including investment grade, non-investment grade and unrated) and up to 10% of its net assets in China A-Shares via Stock Connect. The

amended second paragraph shall read as follows (new wording is in bold):

*“On an ancillary basis and with a view to enhancing returns and/or as part of the investment strategy, the Fund may (in accordance with the investment powers and restrictions set out in Appendix A) implement tactical views on commodities via exchange traded commodities (ETCs) and/or commodity linked notes, and may also invest in cash, warrants, exchange traded and over-the-counter options, and other derivatives for investment or efficient portfolio management (including hedging) purposes. **The Fund may also invest on an ancillary basis in equity securities, including eligible closed-end Real Estate Investment Trusts (REITS); Fixed Income Securities (including investment grade, non-investment grade and unrated ); China A-Shares via Stock Connect. The Fund may invest up to 10% of its net assets in China A-Shares via Stock Connect.**”*

- **Changes to Morgan Stanley Investment Funds Europe Opportunity Fund**

The Board has resolved to amend the investment policy and the profile of the typical investor of Morgan Stanley Investment Funds Europe Opportunity Fund.

The investment policy will be amended as to (i) change the ESG-related investment process, (ii) add a reference to investments in Global Depository Receipts, and (iii) change the recommended holding period from medium to long term.

The amended investment policy and the profile of the typical investor shall read as follows (new wording is in bold and the wording to be removed is struck through):

*“The Europe Opportunity Fund’s investment objective is to seek long term capital ~~growth~~ **appreciation**, measured in Euro.*

*The Fund will seek to achieve its investment objective by investing primarily in equity securities, including depository receipts (American Depository Receipts (ADRs), **Global Depository Receipts (GDRs)** and European Depository Receipts (EDRs)), of companies Located in Europe.*

*With a view to enhancing returns and/or as part of the investment strategy, the Fund may (in accordance with the investment powers and restrictions set out in Appendix A) make use of exchange traded and over-the-counter options, futures and other derivatives for investment or efficient portfolio management (including hedging) purposes.*

*The Fund may also invest, on an ancillary basis, in equity securities not meeting the criteria of the Fund’s primary investments, debt securities convertible into common shares, preference shares, warrants and other equity linked instruments. The Fund may invest to a limited extent in units/shares of other collective investment schemes, including the Company’s Funds and open-ended ETFs, which are eligible investments for UCITS under the 2010 Law.*

~~*The Investment Adviser expects to hold a concentrated portfolio of transferable securities. The Investment Adviser will identify investments in equity securities that it considers to have prominent positions in their field based on stock specific research and fundamental market factors.*~~

***The Investment Adviser emphasises a bottom-up stock selection process, seeking attractive investments on an individual company basis. In selecting securities for investment, the Investment Adviser seeks high quality established and emerging companies that the Investment Adviser believes are undervalued at the time of purchase. The Investment Adviser typically favours companies it believes have sustainable competitive advantages that can be monetised through growth. The investment process integrates analysis of sustainability with respect to disruptive change, financial strength, environmental and social externalities and governance***

*(also referred to as ESG). The Investment Adviser generally considers selling a portfolio holding when it determines that the holding no longer satisfies its investment criteria.*

*The Investment Adviser views incorporating ESG-related potential risks and opportunities within the investment process as important to ensure long-term stewardship of capital. Over extended time horizons, the Investment Adviser believes that ESG risks are more likely to materialize and externalities not borne by the company are more likely to be priced into the value of securities. Since ESG risks could potentially impact the risk and reward profile of investment opportunities, the Investment Adviser typically engages company management in constructive discussions on a range of ESG issues the Investment Adviser deems materially important.*

[...]

*In light of the Europe Opportunity Fund's investment objective it may be appropriate for investors who:*

[...];

- *seek capital appreciation over the ~~medium~~ long term;*

[...]"

\*\*\*\*

The above-mentioned changes listed under I and II will be effective as of 1 November 2021 and are included in the version of the Prospectus dated September 2021.

### **Your options**

1. If you agree to the changes, you do not need to take any action. The changes will automatically come into effect for the above-mentioned Funds as of 1 November 2021.

2. If you disagree with the amendments noted above, you may either:

**a)** Convert your Shares into another Fund. 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 ensure that you read the Key Investor Information Document (KIID) 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 ("**CDSC**"), 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.

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### III. Non-material changes applicable to all Funds

- **Reduction of the administration charge for share class Z**

The Board has resolved to reduce, as from 1 October 2021, the administration charge for share class Z from 0.14% to 0.10%.

- **Reduction of the hedging expenses for share classes H, H1, H2 and H3**

The Board has resolved to reduce the hedging expenses for share classes H, H1, H2 and H3 from 0.04% to up to 0.03%.

- **Change of securities lending agent and clarification of the costs relating to the use of efficient portfolio management techniques**

The Board has resolved to change the securities lending agent of the Company by switching from J.P. Morgan Chase Bank NA (London Branch) to J.P. Morgan Bank Luxembourg S.A.

In addition, the Board has resolved to clarify the paragraph “Costs relating to the use of efficient portfolio management techniques in Section 2.5 “Charges and Expenses” of the prospectus, as follows (new wording is in bold, deleted wording is struck-through):

*“The Company has entered into securities lending arrangements with **the Depository J.P. Morgan Chase Bank NA (London Branch)** to participate in the securities lending programme operated by **the Depository JPM**, under normal commercial terms. Under the terms relating to the relevant securities lending arrangement **and for services provided, the Depository JPM is entitled to retain a small proportion of retains 20% on the income arising first US\$ 5 million of gross revenue generated** from securities lending transactions ~~as revenue for its services and 15% thereafter.~~ **The balance of Funds retain 80% on the income first US\$ 5 million of gross revenue generated will be accrued to the Funds that lent the from securities lending transactions and 85% thereafter.**”*

*All revenues arising from repurchase and reverse repurchase agreements, net of direct and indirect operational costs, will be accrued to the relevant Fund.”*

- **Clarification regarding the use of securities financing transactions (“SFTs”)**

The Board has resolved to clarify the use of SFTs by amending Point 3.11. of Section 3 “Derivatives and efficient portfolio management techniques” in Appendix A “Investment Powers and Restrictions”, as follows (new wording is in bold):

*“**The Funds listed in the table below may enter into securities lending transactions opportunistically and on a temporary basis. The Funds may use securities lending for the purpose of efficient portfolio management to generate additional capital or income through the transaction itself or through the reinvestment of the cash collateral.** The expected and maximum proportion of the total assets which may be subject to securities lending and borrowing transactions is summarized, for each relevant Fund, in the table below. In certain circumstances this proportion may be higher.”*

- **Clarification of the definition of “Dealing Day”**

The Board has resolved that, as from 1 November 2021, the definition of Dealing Day will read as follows: “**“Dealing Day” refers to any full Luxembourg Business Day for all Funds, save where a particular Fund has a different definition included in the investment policy section relating to that Fund. A Dealing Day shall not fall within a period of suspension of calculation of the Net Asset Value of a particular Fund. The Directors may also take into account periods during which principal stock**

exchanges or other markets on which a substantial portion of the investments of the Company attributable to a Fund from time to time is quoted or dealt in are closed otherwise than for ordinary holidays, or dealings therein are restricted or suspended, provided that such restriction or suspension affects the valuation of the investments of the Company attributable to such Fund quoted on such principal stock exchanges or other markets. The Directors may elect to treat such closures as “non-Dealing Days” for Funds which trade a substantial amount of their portfolio on these closed principal stock exchanges or other markets. A list of expected “non-Dealing Days” for the Funds is available from the Company’s website ([www.morganstanleyinvestmentfunds.com](http://www.morganstanleyinvestmentfunds.com)) and will be updated in advance, at least semi-annually”.

- **Addition of the definition of “Settlement Period”**

The Board has resolved that, as from 1 November 2021, a definition of Settlement Period will be included in order to clarify the contractual settlement date for subscriptions, redemptions and conversions of Shares.

The definition will read as follows:

*“Settlement Period” means the contractual settlement period for subscriptions, redemptions and conversions of Shares, and unless otherwise indicated in Section 1.2 “Investment Objectives and Policies”, means up to five (5) Business Days after the relevant Dealing Day for Saudi Equity Fund and up to three (3) Business Days after the relevant Dealing Day for all other Funds. If banks or interbank settlement systems in the country of the settlement currency or the Share Class Currency are closed or not operational on the settlement date, or if the settlement date falls on a holiday as set out in the Company’s list of expected “non-Dealing Days” (which can be found on [www.morganstanleyinvestmentfunds.com](http://www.morganstanleyinvestmentfunds.com) or [www.morganstanley.com/im](http://www.morganstanley.com/im)), settlement will be delayed until such banks or interbank settlement systems are open and operating. Any day within the Settlement Period that is a holiday or a non-Dealing Day as set out in the Company’s list of expected “non-Dealing Days” or as determined by the Directors for a Fund will be excluded when determining the settlement date.”*

\*\*\*\*

The clarifications and non-material changes listed under III. are included in the version of the Prospectus dated September 2021.

Please note that the clarification of the definition of “Dealing Day” and the addition of the definition of “Settlement Period” will only be effective as from 1 November 2021. In addition, the reduction of the administration charge for share class Z will only be effective as from 1 October 2021.

#### **IV. Clarifications and non-material changes applicable to specific Funds**

- **Clarification of the investment policy of Morgan Stanley Investment Funds Developing Opportunity Fund**

The Board has resolved to amend the investment policy of Morgan Stanley Investment Funds Developing Opportunity Fund in order to clarify its benchmark use. The amended ninth and tenth paragraph in the investment policy shall read as follows:

*“The Fund is actively managed and, **not designed to track a benchmark, and therefore not constrained by the composition of the DO Benchmark. The Fund** references the DO Benchmark for the purpose of defining a geographical allocation of ~~the~~ countries the Fund will invest into.*

~~*The Investment Advisor 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 DO Benchmark, it can invest in such securities from countries in different proportions, and it can*~~

~~hold assets which are not exposed to countries referenced in the DO Benchmark. Hence, there are no restrictions on the extent to which the Fund's~~ **The Fund's** performance may deviate from the ones of the DO Benchmark **is measured against a benchmark as detailed in the Fund's key investor information document."**

- **Clarification of the investment policies of Morgan Stanley Investment Funds Global Quality Fund, Morgan Stanley Investment Funds Global Brands Fund and Morgan Stanley Investment Funds Global Brands Equity Income Fund**

The Board has resolved to amend a paragraph of the investment policies of Morgan Stanley Investment Funds Global Quality Fund, Morgan Stanley Investment Funds Global Brands Fund and Morgan Stanley Investment Funds Global Brands Equity Income Fund in order to clarify and align the ESG language across certain funds of the Company. The amended paragraph shall read as follows (new wording is in bold and the wording to be removed is struck through):

~~"The Fund's investment process focuses on high quality companies with sustainably high returns on operating capital. As an essential and integrated part of the investment process, the Investment Adviser seeks to engage with company management teams to assess~~ **assesses** relevant factors material to long-term ~~sustainable~~ **sustainably high** returns **on operating capital** including ESG factors. ~~The investment process focuses on the sustainability and direction of a company's long term returns on capital. ESG considerations are a fundamental and integrated~~ **seeks to engage with company management teams as part of this process, as. Subject to the Fund's investment objective the Investment Adviser believes** ~~retains discretion over which investments are selected. Whilst ESG considerations are an integrated and fundamental part of the investment process, ESG factors are not the sole determinant of whether an investment can be made or a holding can remain in the Fund's portfolio, but instead the Investment Adviser considers material weaknesses~~ **risks** or opportunities in any of the ESG areas ~~can potentially~~ **which could** threaten or enhance the long-term ~~sustainability of a company's~~ **high returns on operating capital of a company."**

These Funds are already managed to take into account the above, so it does not require any change to the way in which the Funds are managed or their risk profile, but the clarification is included in order to provide transparency for all investors in the Funds.

- **Clarification of the investment policy of Morgan Stanley Investment Funds International Equity (ex US) Fund**

The Board has resolved to amend the third paragraph of the investment policy of Morgan Stanley Investment Funds International Equity (ex US) Fund in order to clarify and align the ESG language across certain funds of the Company. The amended third paragraph shall read as follows (new wording is in bold and the wording to be removed is struck through):

~~"As an essential and integrated part of the investment process, the Investment Adviser seeks to engage with company management teams to assess~~ **assesses** relevant factors material to long-term ~~sustainable~~ **returns on operating capital** including ESG factors. ~~The investment process focuses on the sustainability and direction of a company's long term returns on capital. ESG considerations are a fundamental and integrated~~ **seeks to engage with company management teams as part of this process, as. Subject to the Fund's investment objective, the Investment Adviser believes** ~~retains discretion over which investments are selected. Whilst ESG considerations are an integrated and fundamental part of the investment process, ESG factors are not the sole determinant of whether an investment can be made or a holding can remain in the Fund's portfolio, but instead the Investment Adviser considers material weaknesses~~ **risks** or opportunities in any of the ESG areas ~~can potentially~~ **which could** threaten or enhance the long-term ~~sustainability or direction of a company's~~ **returns."**

This Fund is already managed to take into account the above, so it does not require any change to



the way in which the Fund is managed or its risk profile, but the clarification is included in order to provide transparency for all investors in the Fund.

- **New co-sub-adviser for Morgan Stanley Investment Funds Global Multi-Asset Income Fund and Morgan Stanley Investment Funds Global Multi-Asset Opportunities Fund**

The Investment Adviser has decided to appoint Morgan Stanley Investment Management (Australia) Pty Limited (“**MSIM Australia**”) as co-sub-adviser alongside with the current sub-adviser, Morgan Stanley Investment Management New York Inc. (“**MSIM NY**”). MSIM Australia has discretion, on a day-to-day basis and subject to the overall control of the Investment Adviser, to purchase and sell securities as agent for the Investment Adviser and otherwise to manage the portfolios of the relevant Funds for the account of the Company in relation to specific transactions.

The appointment of MSIM Australia is intended to ensure that the relevant Funds continue to benefit from the portfolio management expertise of certain key investment personnel relocating from MSIM NY to MSIM Australia.

MSIM Australia is the Australia-based Morgan Stanley investment management firm supervised by the Australian Securities and Investments Commission (ASIC).

The arrival of MSIM Australia as co-sub-adviser of the relevant Funds does not impact the way in which they are managed or their risk profile.

- **Changes to Morgan Stanley Investment Funds Global Active Factor Equity Fund and Morgan Stanley Investment Funds US Active Factor Equity Fund**

The Board has resolved to change, as from 30 September 2021, the names of the Funds for rebranding purposes and to align the names with other funds in the same portfolio family, as follows:

<b>Current name</b>	<b>New name</b>
Morgan Stanley Investment Funds Global Active Factor Equity Fund	Morgan Stanley Investment Funds Global Core Equity Fund
Morgan Stanley Investment Funds US Active Factor Equity Fund	Morgan Stanley Investment Funds US Core Equity Fund

These changes will not affect the way in which the Funds are managed nor entail a rebalancing of their portfolio and are simply made for clarification purposes.

\*\*\*\*

The clarifications and non-material changes listed under IV. are included in the version of the Prospectus dated September 2021.

Please note that the change of the names of Morgan Stanley Investment Funds Global Active Factor Equity Fund into Morgan Stanley Investment Funds Global Core Equity Fund and Morgan Stanley Investment Funds US Active Factor Equity Fund into Morgan Stanley Investment Funds US Core Equity Fund will only be effective as from 30 September 2021.

\* \*

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A copy of this new Prospectus is available upon request at the registered office of the Company.

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

The Board accepts responsibility for the accuracy of the information contained in this notice. The Prospectus and the relevant Key Investor Information Document are available to investors, free of

charge, at the registered office of the Company or at the offices of foreign representatives.

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. 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.

Yours sincerely

The Board

## Appendix 1

Morgan Stanley Investment Funds Sustainable Global Credit Fund's investment policy:

*The **Sustainable** Global Credit Fund's investment objective is to provide an attractive rate of relative return, measured in USD -while integrating ESG characteristics by screening out sectors and issuers with low overall sustainability scores, and maintaining a lower carbon footprint than the corporate bond component of the Bloomberg Barclays Global Aggregate Corporate Index (the "Carbon Footprint Reference Benchmark") taking into account the long-term global warming objectives of the Paris Agreement, as further described below.*

*The Fund will invest primarily in Fixed Income Securities issued by corporations and other non-government issuers ("Corporate Bonds") organised or operating in both developed and emerging markets and denominated in global currencies.*

*In relation to this Fund, "Sustainable" means that the Investment Adviser integrates the consideration of sustainable themes and ESG issues in its investment decision-making on a discretionary basis as further detailed below. In addition, the Investment Adviser may include evaluation of positive and negative contributions towards the UN Sustainable Development Goals and may engage 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 Investment Adviser applies proprietary assessment and scoring methodologies that are bespoke to Fixed Income Securities the Fund may invest in, focussed on corporate, sovereign and securitized issuance. Additionally, as part of the Investment Adviser's bottom-up, fundamental research process, and in its engagements with issuers, the Investment Adviser incorporates an assessment of sustainability-related risks and opportunities into the assessment process to determine impacts on credit fundamentals, implications for valuation and spreads, and any material aspects that may affect the trading technicalities of the Fixed Income Securities. These criteria may include, but are not limited to ESG themes such as decarbonisation & climate risk, circular economy & waste reduction, diverse & inclusive business and decent work & resilient jobs. The Investment Adviser will monitor core sustainability indicators, including environmental, social and governance assessments from third-party providers, and carbon footprint (measured by carbon intensity, defined as tonnes of CO2 per \$1 million revenue for the proportion of the Fund invested in bonds issued by corporates) in order to measure and evaluate the contribution of the Fixed Income Securities to the ESG themes described above. The indicators will be measured and evaluated at least on an annual basis.*

*Investments shall not knowingly include any company whose business activity involves the following:*

- *manufacturing or production of:*
  - *controversial weapons;*
  - *manufacturing or production of civilian firearms;*
  - *manufacturing or production of tobacco, or where the company derives >10% revenue from tobacco distribution or retail; and*
  - *gambling, where the company derives >10% revenue from such business activity.*

*With respect to fossil fuel activities specifically, investments shall not knowingly include any company whose business activity involves the following:*

- *mining and extraction of thermal coal;*
- *coal-fired power generation, where the company derives >10% revenue from such business activity;*

- *extraction or production from oil sands, where the company derives >5% revenue from such business activity; and*
- *oil or gas extraction or production in the Arctic region, where the company derives >5% revenue from such business activity .*

*The exception to the above is that the Fund may invest in labelled Sustainable Bonds (as defined below), or other debt securities that are issued to raise capital specifically for climate-related or environmental projects, which are issued by issuers that would otherwise be subject to the fossil fuel exclusions above, so long as the Investment Adviser has determined that the objectives of such instruments are consistent with a reduction by the issuer in its carbon emissions. Investment in such instruments will be subject to diligence by the Investment Adviser.*

*In addition to the above sectoral exclusions, the Investment Adviser monitors business practices on an ongoing basis, through data on ESG controversies and standards screening sourced from third party providers.*

*The Fund will not invest in securities of issuers with controversy cases that the Investment Adviser views as being very severe based on ratings by relevant ESG data providers, where the Investment Adviser believes appropriate remedial action has not been taken. The Fund will also not invest in securities of issuers that fail to comply with the UN Global Compact or the ILO fundamental principles, and where the Investment Adviser believes appropriate remedial action has not been taken.*

*Further to the above, 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](http://www.morganstanleyinvestmentfunds.com) and on [www.morganstanley.com/im](http://www.morganstanley.com/im).*

*The Fund will only invest in the top 80% of ESG-scoring corporates in each sub-sector of the Bloomberg Barclays Global Aggregate Corporate Index. The ESG scores are determined by the Investment Adviser, using third party ESG data as a base having regard to ESG themes such as Decarbonisation & Climate Risk, Circular Economy & Waste Reduction, Diverse & Inclusive Business and Decent Work & Resilient Jobs. The aforementioned ESG criteria should result in a 20% reduction of the investible universe, and the Investment Adviser will use its best efforts to ensure that at least 90% of the corporates in the portfolio are assessed through its ESG scoring methodology. The positive screening process and methodology is available on the following websites: [www.morganstanleyinvestmentfunds.com](http://www.morganstanleyinvestmentfunds.com) and on [www.morganstanley.com/im](http://www.morganstanley.com/im).*

*Investments that are held by the Fund but subsequently become restricted due to the application of the ESG criteria above, 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 will maintain a lower carbon footprint than the corporate bond component of the Carbon Footprint Reference Benchmark, taking into account the long-term global warming objectives of the Paris Agreement. Carbon footprint shall be measured as weighted average Carbon Intensity, defined as tonnes of CO2 per \$1million revenue. Sustainable Bonds with climate-related objectives may be determined to have different carbon footprints than the issuers of the bonds. In such cases, the Investment Adviser shall disclose its methodology for determining the relevant carbon footprint of such instruments.*

*As part of its strategy, the Investment Adviser may invest a proportion of the Fund in Sustainable Bonds, defined as labelled "Sustainable Bonds", defined as labelled*

**sustainable bonds where the issuer has committed to financing or attaining specific environmental and/or social objectives, including but not limited to the below based on the main labels of bonds issued to date, including those recognised by the International Capital Market Association (ICMA):**

- **Green Bonds;**
- **Social Bonds;**
- **Sustainability Bonds;**
- **Transition Bonds; and**
- **Sustainability-linked Bonds.**

**The Investment Adviser deploys a proprietary assessment framework for labelled thematic sustainable bonds, through which the robustness, impact and transparency of such instruments are evaluated.**

**As noted above, the Investment Adviser uses third-party data and ESG scores and in some cases data on specific issuers, ESG themes or the exclusions noted above may not be available and/or may be estimated by the Investment Adviser using internal methodologies or reasonable estimates. The methodologies used by different data providers may also vary and may result in different scores.**

*With a view to enhancing returns and/or as part of the investment strategy, the Fund may (in accordance with the investment powers and restrictions set out in Appendix A) make use of exchange traded and over-the-counter options, futures and other derivatives for investment or efficient portfolio management (including hedging) purposes.*

*The Fund will not invest in any securities that are rated below B- (or below BBB- in the case of Asset Backed Securities, including Mortgage Backed Securities) by Standard & Poor's Corporation ("S&P") or an equivalent rating from another rating agency or an equivalent internal rating from the Investment Adviser as at the date of investment. In the event that any securities held by the Fund are subsequently downgraded to a rating below B- (or below BBB- in the case of Asset Backed Securities, including Mortgage Backed Securities), the Investment Adviser may maintain a maximum total exposure of 3% of the Fund's Net Asset Value to such downgraded securities but will divest any such security that has not been upgraded to a rating of at least B- within six months of its downgrade.*

*The Fund may, on an ancillary basis, invest in Fixed Income Securities that are not Corporate Bonds.*

*The Fund may invest no more than 20% of its assets in Contingent Convertible Instruments.*

*The Fund may invest in Fixed Income Securities acquired on the China Interbank Bond Market. No more than 10% of the Fund's assets will be invested in such securities.*

*The Fund may invest to a limited extent in units/shares of other collective investment schemes, including the Company's Funds and open-ended ETFs provided that any **such** ETFs are eligible investments for UCITS funds.*

~~*The investment process takes into account information about ESG issues when making investment decisions. The Investment Adviser may engage 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 is not designed to track a benchmark. The Fund's performance is measured against a benchmark as detailed in the Fund's key investor information document, **and this benchmark will also be designated as the Carbon Footprint Reference Benchmark.***

## Appendix 2

Morgan Stanley Investment Funds Emerging Leaders Equity Fund's investment policy:

*The Emerging Leaders Equity Fund's investment objective is to seek long term capital appreciation, measured in US Dollars, through investment primarily in a concentrated portfolio of equity securities, including American Depositary Receipts (ADRs), Global Depositary Receipts (GDRs) and China A-Shares via Stock Connect, in emerging and frontier countries. In targeting its investment objective, the Investment Adviser will invest in companies with strong performance and best-in-class practices relative to their peers on one or more ESG metrics (as detailed below).*

*Such countries include Argentina, Bahrain, Bangladesh, Botswana, Brazil, Bulgaria, Chile, China, Colombia, Croatia, the Czech Republic, Estonia, Greece, Hungary, India, Indonesia, Jamaica, Jordan, Kazakhstan, Kenya, Lebanon, Lithuania, Malaysia, Mauritius, Mexico, Nigeria, Oman, Pakistan, Peru, the Philippines, Poland, Portugal, Qatar, Romania, the Russian Federation, Serbia, Slovenia, South Africa, South Korea, Sri Lanka, Taiwan, Thailand, Tunisia, Turkey, Ukraine.*

*A country may be considered emerging or frontier based on classification in the MSCI Emerging Markets Net Index (the "EML Benchmark") or similar classification by an organisation such as the International Monetary Fund, the United Arab Emirates, Venezuela, Vietnam and Zimbabwe, Nations or the World Bank, provided that the markets of these countries are considered to be regulated recognised exchanges ("Recognised Exchanges") within the meaning of Article 41(1) of the 2010 Law. As markets in other countries develop, the Fund expects to expand and further diversify the emerging and frontier markets in which it invests. Investments in securities listed on exchanges which are not Recognised Exchanges shall be treated as investments in securities that do not comply with article 41 (1) of the 2010 Law (see Appendix A – Investment Powers and Restrictions) until such time as such exchanges are deemed to be Recognised Exchanges.*

*On an ancillary basis the Fund may invest in cash, debt securities convertible into common shares, preference shares, warrants and other equity linked instruments, China A-Shares via Stock Connect and, for the purpose of efficient portfolio management (including hedging), exchange traded and over-the-counter options, futures and other derivatives. The Fund may invest up to 10% of its net assets in China A-Shares via Stock Connect.*

*The Fund may invest in the equity securities (including American Depositary Receipts ADRs and GDRs) of companies organised and located in countries other than an emerging or frontier market where the value of the company's securities will reflect principally conditions in an emerging or frontier country, or where the principal securities trading market for which the company is in an emerging or frontier country, or where 35% of the company's revenue, sales, assets, EBITDA or profit before tax is derived from either goods produced, sales made or services performed in emerging or frontier countries. The Fund may invest in participatory notes that may be used to gain exposure to securities and markets which may not be efficiently accessed through direct investment. Exposure to participatory notes will not exceed 45% of the actually invested assets (gross assets after deducting cash and cash equivalents). The Fund may invest up to 20% of its net assets in China A-Shares via Stock Connect.*

*The investment process takes into account information about Investment Adviser integrates the consideration of ESG issues when in its investment decision-making.*

*The Investment Adviser integrates Sustainability Risks into its investment decisions. We focus 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 these risks, the Investment Adviser may sell or underweight a security, 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 Adviser integrates the consideration of ESG issues when making in its investment decision-making. The Fund will also strive to align with the objectives of the Paris Agreement on climate change. The Fund seeks to achieve a lower carbon footprint than the MSCI Emerging Markets Net Index.*

*The Investment Adviser believes companies with forward-looking management teams that establish proactive strategies on these sustainability and ESG issues will be better positioned from a business and financial perspective over the long term than companies that do not consider them.*

*In addition to investing in companies that follow good governance practices and that exhibit strong management of sustainability factors relative to peers, the Fund may invest in companies in Emerging Markets that offer scalable and profitable solutions to address pressing sustainability issues including climate change and environmental/resource management. The Fund will seek to exclude certain companies that are highly exposed to Sustainability Risks, applying both a best-in-class and best effort approach to its investment selection in this regard. 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.*

*ESG criteria are considered by the Investment Adviser during both the investment and research process to limit exposure to Sustainability Risks. These criteria may include, but are not limited to carbon emissions, water scarcity, waste management, biodiversity, labour management, gender diversity, health & safety, product safety, data privacy & security, executive remuneration, board independence and shareholder rights. The Investment Adviser focuses on engaging company management around corporate governance practices as well as on what we deem it deems to be materially important governance, environmental and/or social issues facing a company. The investment process excludes investments in tobacco companies. The application of the above ESG criteria should result in a 20% or more reduction of the investible universe, as defined in the first four paragraphs above.*

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

- *tobacco<sup>1</sup>;*
- *adult entertainment;*
- *civilian firearms;*
- *controversial weapons;*
- *coal<sup>2</sup>;*
- *oil sands<sup>3</sup>;*

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<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> The Fund does not invest in securities that derive 5% or more of their revenues from the extraction

- Arctic oil<sup>4</sup>; and
- gambling<sup>5</sup>.

**Further to the above, 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](http://www.morganstanleyinvestmentfunds.com) and on [www.morganstanley.com/im](http://www.morganstanley.com/im). The exclusions are determined by the Investment Adviser's own proprietary analysis rather than the reliance on third party analysis. However, the analysis may be supported by third party ESG controversies analysis and business involvement research. The exclusion criteria are applied to all equity investments within the Fund. The exclusion criteria 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 exclusion criteria 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.**

~~On an ancillary basis the Fund may invest in cash, debt securities convertible into common shares, preference shares, warrants and other equity linked instruments, China A Shares via Stock Connect and, for the purpose of efficient portfolio management (including hedging), exchange traded and over the counter options, futures and other derivatives. The Fund may invest up to 10% of its net assets in China A Shares via Stock Connect.~~

The Fund will limit the use of derivatives to efficient portfolio management and for hedging purposes only.

~~The Fund is actively managed and is not designed to track a benchmark~~ **uses MSCI Emerging Markets Net Index as a comparator benchmark. Therefore, the management, which is representative of the Fund is not constrained by the composition of a Emerging Markets equities universe. The benchmark. The Fund's is used for performance is measured against a benchmark as detailed in the Fund's key investor information document **comparison purposes only and does not integrate environmental or social characteristics.****

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or production of oil sands.

<sup>4</sup> 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).

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



### Appendix 3

Morgan Stanley Investment Funds Sustainable Emerging Markets Equity Fund's investment policy:

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 organized ~~and~~ **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 organized ~~and~~ **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:**

- **tobacco<sup>6</sup>;**
- **adult entertainment;**
- **civilian firearms;**
- **controversial weapons;**
- **coal<sup>7</sup>;**

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<sup>6</sup> 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.

<sup>7</sup> 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.

- oil sands<sup>8</sup>;
- Arctic oil<sup>9</sup>; and
- gambling<sup>10</sup>.

***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](http://www.morganstanleyinvestmentfunds.com) and on [www.morganstanley.com/im](http://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. 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.*~~

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<sup>8</sup> The Fund does not invest in securities that derive 5% or more of their revenues from the extraction or production of oil sands.

<sup>9</sup> 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).

<sup>10</sup> The Fund does not invest in securities of issuers that generate 5% or more of revenue from gambling activities.

*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.*

## Appendix 4

Morgan Stanley Investment Funds Global Bond Fund's investment policy:

*"The Global Bond Fund's investment objective is to provide an attractive rate of return, measured in US Dollars, through market, instrument and currency selection. The Fund **will invest primarily in** ~~consists of~~ domestic, international, **emerging market** and Euromarket Fixed Income Securities of varying maturities denominated in US Dollars and other currencies, including ~~emerging markets~~, asset-backed securities (including mortgage backed securities), loan participations and loan assignments, to the extent that these instruments are securitised.*

*The Investment Adviser applies proprietary assessment and scoring methodologies that are bespoke to Fixed Income Securities the Fund may invest in, focussed on corporate, sovereign and securitized issuance. Additionally as part of the Investment Adviser's bottom-up, fundamental research process, and in its engagements with issuers, the Investment Adviser incorporates an assessment of sustainability-related risks and opportunities into the assessment process to determine impacts on credit fundamentals, implications for valuation and spreads, and any material aspects that may affect the trading technicalities of the Fixed Income Securities. These criteria may include, but are not limited to ESG themes such as decarbonisation & climate risk, circular economy & waste reduction, diverse & inclusive business and decent work & resilient jobs. The Investment Adviser will monitor core sustainability indicators, including ESG assessments from third-party providers, and carbon footprint (measured by carbon intensity, defined as tonnes of CO2 per \$1 million revenue for the proportion of the Fund invested in bonds issued by corporates) in order to measure and evaluate the contribution of the Fixed Income Securities to the ESG themes described above. The indicators will be measured and evaluated at least on an annual basis.*

*The Investment Adviser also deploys a proprietary assessment framework for labelled thematic sustainable bonds, through which the robustness, impact and transparency of such instruments are evaluated.*

*The Investment Adviser promotes the low carbon transition through excluding corporate issuers for which thermal coal production is a core business, and promotes human life through excluding products that are detrimental to health and wellbeing, specifically tobacco, controversial weapons and civilian firearms manufacturing. Accordingly, investments shall not knowingly include any company whose business activity involves the following:*

- *manufacturing or production of controversial weapons;*
- *manufacturing or production of civilian firearms; and*
- *manufacturing or production of tobacco.*

*With respect to fossil fuel activities specifically, the Investment Adviser may engage company management around the topics of decarbonisation and climate risk, as well as corporate governance practices and what it deems to be materially important other environmental and/or social issues facing a company. Investments shall not knowingly include any company whose business activity involves the mining and extraction of thermal coal, where the company derives >5% revenue from such business activity.*

*The exceptions to the above are, firstly, that the Fund may invest in labelled thematic sustainable bonds, or other debt securities that are issued to raise capital specifically for climate-related or environmental projects, which are issued by issuers that would otherwise be subject to this fossil fuel exclusion, so long as it has been determined that the objectives of such instruments are consistent with a reduction by the issuer in its carbon emissions. Investment in such instruments will be subject to diligence*

**by the Investment Adviser. Secondly, the Fund may invest in issuers who may not themselves contribute to the specific environmental or social characteristics promoted by the financial product such as hedging instruments, unscreened investments for diversification purposes, investments for which data are lacking or cash held as ancillary liquidity.**

**In addition to the above sectoral exclusions, the Investment Adviser monitors business practices on an ongoing basis, through data on ESG controversies and standards screening sourced from third party providers. The Investment Adviser will consider controversy cases that it views as being very severe based on ratings by relevant ESG data providers, and failures to comply with the UN Global Compact or the ILO fundamental principles, although such incidents will not automatically result in exclusion from the portfolio.**

**Further to the above, the Investment Adviser may, at 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](http://www.morganstanleyinvestmentfunds.com) and on [www.morganstanley.com/im](http://www.morganstanley.com/im).**

**Investments that are held by the Fund which as a result of the application of the ESG criteria above 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 Investment Adviser uses third-party data and in some cases data on specific issuers, ESG themes or the exclusions noted above may not be available and/or may be estimated by the Investment Adviser using internal methodologies or reasonable estimates. The methodologies used by different data providers may also vary and may result in different scores.**

*With a view to enhancing returns and/or as part of the investment strategy, the Fund may (in accordance with the investment powers and restrictions set out in Appendix A) make use of exchange traded and over-the-counter options, futures and other derivatives for investment or efficient portfolio management (including hedging) purposes.*

*Securities will be deemed to be suitable for investment if at the time of purchase they are rated either "BBB-" or better by S&P or "Baa3" or better by Moody's, or similarly rated by another internationally recognised rating service or determined to be of similar creditworthiness by the Investment Adviser. The Fund may continue to hold investments in such securities that are downgraded after purchase. In addition, the Fund may invest, up to 10% of its Net Asset Value, in securities which at the time of purchase are rated either lower than "BBB-" by S&P or "Baa3" by either Moody's or similarly by another internationally recognised rating service or determined to be of similar creditworthiness by the Investment Adviser.*

*The Fund may invest no more than 20% of its assets in Contingent Convertible Instruments.*

*The Fund may invest in Fixed Income Securities acquired on the China Interbank Bond Market. No more than 10% of the Fund's assets will be invested in such **Fixed Income** Ssecurities.*

*The Fund may invest to a limited extent in units/shares of other collective investment schemes, including the Company's Funds and open-ended ETFs provided that any **such** ETFs are eligible investments for UCITS funds.*

~~*The investment process takes into account information about ESG issues when making investment decisions. The Investment Adviser may engage 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 is not designed to track a benchmark. The Fund's performance is measured against a benchmark as detailed in the Fund's key investor information document."*

## Appendix 5:

Morgan Stanley Investment Funds Global Convertible Bond Fund's investment policy:

*"The Global Convertible Bond Fund's investment objective is to seek long term capital appreciation, measured in US Dollars, through investment primarily in convertible bonds issued by companies organised or operating in either the developed or emerging markets which will be denominated in global currencies.*

***The Investment Adviser applies proprietary assessment and scoring methodologies that are bespoke to Fixed Income Securities the Fund may invest in, focussed on corporate, sovereign and securitized issuance. Additionally as part of the Investment Adviser's bottom-up, fundamental research process, and in its engagements with issuers, the Investment Adviser incorporates an assessment of sustainability-related risks and opportunities into the assessment process to determine impacts on credit fundamentals, implications for valuation and spreads, and any material aspects that may affect the trading technicalities of the Fixed Income Securities. These criteria may include, but are not limited to ESG themes such as decarbonisation & climate risk, circular economy & waste reduction, diverse & inclusive business and decent work & resilient jobs. The Investment Adviser will monitor core sustainability indicators, including ESG assessments from third-party providers, and carbon footprint (measured by carbon intensity, defined as tonnes of CO2 per \$1 million revenue for the proportion of the Fund invested in bonds issued by corporates) in order to measure and evaluate the contribution of the Fixed Income Securities to the ESG themes described above. The indicators will be measured and evaluated at least on an annual basis.***

***The Investment Adviser also deploys a proprietary assessment framework for labelled thematic sustainable bonds, through which the robustness, impact and transparency of such instruments are evaluated.***

***The Investment Adviser promotes the low carbon transition through excluding corporate issuers for which thermal coal production is a core business, and promotes human life through excluding products that are detrimental to health and wellbeing, specifically tobacco, controversial weapons and civilian firearms manufacturing. Accordingly investments shall not knowingly include any company whose business activity involves the following:***

- manufacturing or production of controversial weapons;***
- manufacturing or production of civilian firearms; and***
- manufacturing or production of tobacco.***

***With respect to fossil fuel activities specifically, the Investment Adviser may engage company management around the topics of decarbonisation and climate risk, as well as corporate governance practices and what it deems to be materially important other environmental and/or social issues facing a company. Investments shall not knowingly include any company whose business activity involves the mining and extraction of thermal coal, where the company derives >5% revenue from such business activity.***

***The exceptions to the above are, firstly that the Fund may invest in labelled thematic sustainable bonds, or other debt securities that are issued to raise capital specifically for climate-related or environmental projects, which are issued by issuers that would otherwise be subject to this fossil fuel exclusion, so long as it has been determined that the objectives of such instruments are consistent with a reduction by the issuer in its carbon emissions. Investment in such instruments will be subject to diligence by the Investment Adviser. Secondly, the Fund may invest in issuers who may not themselves contribute to the specific environmental or social characteristics promoted by the financial product such as hedging instruments, unscreened***



**investments for diversification purposes, investments for which data are lacking or cash held as ancillary liquidity.**

**In addition to the above sectoral exclusions, the Investment Adviser monitors business practices on an ongoing basis, through data on ESG controversies and standards screening sourced from third party providers. The Investment Adviser will consider controversy cases that it views as being very severe based on ratings by relevant ESG data providers, and failures to comply with the UN Global Compact or the ILO fundamental principles, although such incidents will not automatically result in exclusion from the portfolio.**

**Further to the above, the Investment Adviser may, at 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](http://www.morganstanleyinvestmentfunds.com) and on [www.morganstanley.com/im](http://www.morganstanley.com/im).**

**Investments that are held by the Fund which as a result of the application of the ESG criteria above 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 Investment Adviser uses third-party data and in some cases data on specific issuers, ESG themes or the exclusions noted above may not be available and/or may be estimated by the Investment Adviser using internal methodologies or reasonable estimates. The methodologies used by different data providers may also vary and may result in different scores.**

*With a view to enhancing returns and/or as part of the investment strategy, the Fund may (in accordance with the investment powers and restrictions set out in Appendix A) make use of exchange traded and over-the-counter options, futures and other derivatives for investment or efficient portfolio management (including hedging) purposes.*

*The Fund may, on an ancillary basis, invest in other Fixed Income Securities as well as a combination of equities and warrants on transferable securities either as a result of exercising the conversion option in the convertible bonds in the Fund or as an alternative to convertible bonds when it deems it appropriate.*

*The Fund may invest no more than 20% of its assets in Contingent Convertible Instruments.*

*The Fund may invest to a limited extent in open-ended ETFs provided that any **such** ETFs are eligible investments for UCITS funds.*

~~*The investment process takes into account information about ESG issues when making investment decisions. The Investment Adviser may engage 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 is not designed to track a benchmark. The Fund's performance is measured against a benchmark as detailed in the Fund's key investor information document."*

## Appendix 6

Morgan Stanley Investment Funds US Dollar Short Duration High Yield Bond Fund's investment policy:

*"The US Dollar Short Duration High Yield Bond Fund's investment objective is to provide an attractive rate of total return, measured in USD. The Fund will seek to achieve its investment objective by investing primarily in high yield and unrated USD denominated **High Yield** Fixed Income Securities, including without limitation those issued by governments, agencies and corporations located in emerging markets and for the avoidance of doubt and subject to applicable law, including asset-backed securities, loan participations and loan assignments, to the extent that these instruments are securitised.*

***The Investment Adviser applies proprietary assessment and scoring methodologies that are bespoke to Fixed Income Securities the Fund may invest in, focussed on corporate, sovereign and securitized issuance. Additionally as part of the Investment Adviser's bottom-up, fundamental research process, and in its engagements with issuers, the Investment Adviser incorporates an assessment of sustainability-related risks and opportunities into the assessment process to determine impacts on credit fundamentals, implications for valuation and spreads, and any material aspects that may affect the trading technicalities of the Fixed Income Securities. These criteria may include, but are not limited to ESG themes such as decarbonisation & climate risk, circular economy & waste reduction, diverse & inclusive business and decent work & resilient jobs, The Investment Adviser also deploys a proprietary assessment framework for labelled thematic sustainable bonds, through which the robustness, impact and transparency of such instruments are evaluated.***

***Investments shall not knowingly include any company whose business activity involves the following:***

- ***manufacturing or production of controversial weapons;***
- ***manufacturing or production of civilian firearms; and***
- ***manufacturing or production of tobacco.***

***With respect to fossil fuel activities specifically, the Investment Adviser may engage company management around the topics of decarbonisation and climate risk, as well as corporate governance practices and what it deems to be materially important other environmental and/or social issues facing a company. Investments shall not knowingly include any company whose business activity involves the mining and extraction of thermal coal, where the company derives >5% revenue from such business activity.***

***The exception to the above is that the Fund may invest in labelled thematic sustainable bonds, or other debt securities that are issued to raise capital specifically for climate-related or environmental projects, which are issued by issuers that would otherwise be subject to this fossil fuel exclusion, so long as it has determined that the objectives of such instruments are consistent with a reduction by the issuer in its carbon emissions. Investment in such instruments will be subject to diligence by the Investment Adviser.***

***In addition to the above sectoral exclusions, the Investment Adviser monitors business practices on an ongoing basis, through data on ESG controversies and standards screening sourced from third party providers. The Investment Adviser will consider controversy cases that it views as being very severe based on ratings by relevant ESG data providers, and failures to comply with the UN Global Compact or the ILO fundamental principles, although such incidents will not automatically result in exclusion from the portfolio.***

***Further to the above, 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](http://www.morganstanleyinvestmentfunds.com) and on [www.morganstanley.com/im](http://www.morganstanley.com/im).**

**Investments that are held by the Fund but, due to the application of the ESG criteria above, 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 Investment Adviser uses third-party data and in some cases data on specific issuers, ESG themes or the exclusions noted above may not be available and/or may be estimated by the Investment Adviser using internal methodologies or reasonable estimates. The methodologies used by different data providers may also vary and may result in different scores.**

*With a view to enhancing returns and/or as part of the investment strategy, the Fund may (in accordance with the investment powers and restrictions set out in Appendix A) make use of exchange traded and over-the-counter options, futures and other derivatives for investment or efficient portfolio management (including hedging) purposes.*

*The weighted average duration of the Fund will normally be less than 3 years, although this may be higher under certain market conditions.*

*High Yield Fixed Income Security means a Fixed Income Security that has a rating less than “BBB-” by S&P or “Baa3” by Moody’s or similarly rated by another internationally recognised rating service or determined to be of similar creditworthiness by the Investment Adviser.*

*The Fund may, on an ancillary basis, invest in:*

- *Higher quality Fixed Income Securities **than High Yield Fixed Income Securities;** and*
- *Non-USD denominated Fixed Income Securities.*

*The Fund may invest to a limited extent in units/shares of other collective investment schemes, including the Company’s Funds and open-ended ETFs provided that any **such** ETFs are eligible investments for UCITS funds.*

*The Fund may invest no more than 20% of its assets in Contingent Convertible Instruments.*

~~*The investment process takes into account information about ESG issues when making investment decisions. The Investment Adviser may engage 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 is not designed to track a benchmark. The Fund’s performance is measured against a benchmark as detailed in the Fund’s key investor information document.”*

## Appendix 7

Morgan Stanley Investment Funds Emerging Markets Debt Fund's investment policy:

*The Emerging Markets Debt Fund's investment objective is to seek to maximise total return, measured in US Dollars, primarily through investment in the Fixed Income Securities of government and government-related issuers located in Emerging Market **(as defined below)** countries (including, to the extent these instruments are securitised, participations in loans between governments and financial institutions), together with investing in the Fixed Income Securities of corporate issuers located in ~~or~~, organised under the laws of, **or which have a principal office in**, Emerging Market countries. The Fund intends to invest its assets in Emerging Market country Fixed Income Securities that provide a high level of current income, while at the same time holding the potential for capital appreciation.*

*"Emerging Market" countries, for the purposes of this Fund, are as defined by the JP Morgan Emerging Market Bond Index Global Diversified (the "EMD 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. As markets in other countries develop, the Fund expects to expand and further diversify the emerging markets in which it primarily invests as **or before** such markets are added to ~~this index~~. **the EMD Benchmark**. Fixed Income Securities held by the Fund will take the form of bonds, notes, bills, debentures, convertible securities, bank debt obligations, short-term paper, mortgage and, subject to applicable law, other asset-backed securities, loan participations and loan assignments (to the extent that these instruments are securitised) and interests issued by entities organised and operated for the purpose of restructuring the investment characteristics of instruments issued by ~~emerging market~~ **Emerging Market** issuers.*

*The Investment Adviser applies proprietary assessment and scoring methodologies that are bespoke to Fixed Income Securities the Fund may invest in, focussed on sovereign issuance. Additionally as part of the Investment Adviser's bottom-up, fundamental research process, and in its engagements with issuers, the Investment Adviser incorporates an assessment of sustainability-related risks and opportunities into the assessment process to determine impacts on credit fundamentals, implications for valuation and spreads, and any material aspects that may affect the trading technicalities of the Fixed Income Securities. These criteria may include, but are not limited to ESG themes such as carbon emissions, climate vulnerability, forestry conservation, life expectancy & health, education, living standards, voice & accountability, political stability, effective government, regulatory quality, rule of law, corruption, violence/terrorism. The Investment Adviser will monitor core sustainability indicators, including ESG assessments from third-party providers in order to measure and evaluate the contribution of the Fixed Income Securities to the ESG themes described above. The indicators will be measured and evaluated at least on an annual basis.*

*The Investment Adviser also deploys a proprietary assessment framework for labelled thematic sustainable bonds, through which the robustness, impact and transparency of such instruments are evaluated.*

*The Investment Adviser promotes good governance and social practices among sovereigns. Consequently, the Investment Adviser will not make any new investments in countries where there is evidence of significant social violations. However, any existing investments in such countries shall not necessarily need to be sold, and any countries exhibiting positive momentum with respect to such violations shall not be subject to the purchase restriction. The Investment Advisor shall disclose the methodology used to evaluate significant social violations on [www.morganstanleyinvestmentfunds.com](http://www.morganstanleyinvestmentfunds.com) and on [www.morganstanley.com/im](http://www.morganstanley.com/im).*

*To achieve its principal investment in Emerging Market countries, the Fund may invest in the Fixed Income Securities of companies organised under the laws of, located in or which have a principal office in Emerging Market countries and may also invest in the Fixed Income Securities of companies organised under the laws of, located in or which have a principal office in Developed Market countries (for the purpose of this Fund, as defined by JP Morgan Government Bond Index) where the company's principal Fixed Income Securities trading market is in an Emerging Market country, or where 50% of the company's revenue alone or on a consolidated basis is derived from goods produced, sales made or services performed in Emerging Market countries ("EM Exposed Securities").*

For investments in such companies specifically, investments shall not knowingly include any company whose business activity involves the following:

- manufacturing or production of controversial weapons;
- manufacturing or production of civilian firearms; and
- manufacturing or production of tobacco.

With respect to fossil fuel activities specifically, the Investment Adviser may engage company management around the topics of decarbonisation and climate risk, as well as corporate governance practices and what it deems to be materially important other environmental and/or social issues facing a company. Investments shall not knowingly include any company whose business activity involves the mining and extraction of thermal coal, where the company derives >5% revenue from such business activity.

The exception to the above is, that the Fund may invest in labelled thematic sustainable bonds, or other debt securities that are issued to raise capital specifically for climate-related or environmental projects, which are issued by issuers that would otherwise be subject to this fossil fuel exclusion, so long as it has been determined that the objectives of such instruments are consistent with a reduction by the issuer in its carbon emissions. Investment in such instruments will be subject to diligence by the Investment Adviser.

In addition to the above sectoral exclusions, the Investment Adviser monitors business practices on an ongoing basis, through data on ESG controversies and standards screening sourced from third party providers. The Investment Adviser will consider controversy cases that it views as being very severe based on ratings by relevant ESG data providers, and failures to comply with the UN Global Compact or the ILO fundamental principles, although such incidents will not automatically result in exclusion from the portfolio.

*Further to the above, the Investment Adviser may, at 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](http://www.morganstanleyinvestmentfunds.com) and on [www.morganstanley.com/im](http://www.morganstanley.com/im).*

*Investments that are held by the Fund which as a result of the application of the ESG criteria above 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 Investment Adviser uses third-party data and in some cases data on specific issuers, ESG themes or the exclusions noted above may not be available and/or may be estimated by the Investment Adviser using internal methodologies or reasonable estimates. The methodologies used by different data providers may also vary and may result in different scores."*

*The Fund may invest in issuers who may not themselves contribute to the specific*

**environmental or social characteristics promoted by the financial product such as hedging instruments, unscreened investments for diversification purposes, investments for which data are lacking or cash held as ancillary liquidity.**

With a view to enhancing returns and/or as part of the investment strategy, the Fund may (in accordance with the investment powers and restrictions set out in Appendix A) make use of exchange traded and over-the-counter options, futures and other derivatives for investment or efficient portfolio management (including hedging) purposes.

The Fund may also invest on an ancillary basis in the aforementioned **classes of Fixed Income Securities** where such Fixed Income Securities are issued by issuers organised **under the laws of** and located (1) ~~in~~ **neither in** Developed Market countries nor Emerging Market countries; or (2) in Developed Market countries, but **where the securities Fixed Income Securities** are not EM Exposed Securities.

The Fund may invest in Fixed Income Securities acquired on the China Interbank Bond Market. No more than ~~40~~**20%** of the Fund's assets will be invested in such securities.

The Fund may also invest, to a limited extent, in warrants issued by ~~emerging market~~**Emerging Market** issuers and in open-ended ETFs provided that any **such** ETFs are eligible investments for UCITS funds.

The Fund may invest no more than 20% of its assets in Contingent Convertible Instruments.

~~The investment process takes into account information about ESG issues when making investment decisions. The Investment Advisor may engage 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 EMD 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 EMD Benchmark, it can invest in such securities from countries in different proportions **to their allocations under the EMD Benchmark**, and it can hold assets which are not exposed to countries referenced in the EMD Benchmark. Hence, there are no restrictions on the extent to which the Fund's performance may deviate from the ~~ones of the~~ EMD Benchmark. **The EMD 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 Emerging Markets Debt Fund's investment objective it may be appropriate for investors who:

- seek to invest in Fixed Income Securities in ~~emerging markets~~**Emerging Markets**;
- seek capital appreciation over the medium 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".

## Appendix 8

Morgan Stanley Investment Funds Emerging Markets Domestic Debt Fund's investment policy:

*The Emerging Markets Domestic Debt Fund's investment objective is to seek to maximise total return, measured in US Dollars, primarily through investment in a portfolio of Emerging Market bonds and other Emerging Market (as defined below) Fixed Income Securities, denominated in the local currency of issue. The Fund intends to invest its assets in Emerging Market Fixed Income Securities that provide a high level of current income, while at the same time holding the potential for capital appreciation.*

*"Emerging Market" countries, for the purposes of this Fund, are as defined by the JP Morgan Government Bond Index – Emerging Markets Global Diversified (the "EMDD 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. As **emerging** markets in other countries develop, the Fund expects to expand and further diversify the emerging markets in which it primarily invests as **or before** such markets are added to ~~this index~~ **the EMDD Benchmark**.*

*To achieve its principal investment in Emerging Market countries, the Fund may invest in Fixed Income Securities of government and government-related issuers located in Emerging Markets countries (including, to the extent these instruments are securitised, participations in loans between governments and financial institutions) and Fixed Income Securities of corporate issuers located in ~~or~~, organised under the laws of, **or which have a principal office in**, Emerging Market countries, denominated in the local currency of issue ("**EM Exposed Securities**").*

*The Fund may invest in Fixed Income Securities of entities organised to restructure outstanding debt of Emerging Market issuers.*

*Fixed Income Securities held by the Fund will take the form of bonds, notes, bills, debentures, convertible securities, bank debt obligations, short-term paper, mortgage and, subject to applicable law, other asset-backed securities, loan participations and loan assignments to the extent that these instruments are securitised.*

***The Investment Adviser applies proprietary assessment and scoring methodologies that are bespoke to Fixed Income Securities the Fund may invest in, focussed on sovereign issuance. Additionally as part of the Investment Adviser's bottom-up, fundamental research process, and in its engagements with issuers, the Investment Adviser incorporates an assessment of sustainability-related risks and opportunities into the assessment process to determine impacts on credit fundamentals, implications for valuation and spreads, and any material aspects that may affect the trading technicalities of the Fixed Income Securities. These criteria may include, but are not limited to ESG themes such as carbon emissions, climate vulnerability, forestry conservation, life expectancy & health, education, living standards, voice & accountability, political stability, effective government, regulatory quality, rule of law, corruption, violence/terrorism. The Investment Adviser will monitor core sustainability indicators, including ESG assessments from third-party providers in order to measure and evaluate the contribution of the Fixed Income Securities to the ESG themes described above. The indicators will be measured and evaluated at least on an annual basis.***

***The Investment Adviser also deploys a proprietary assessment framework for labelled thematic sustainable bonds, through which the robustness, impact and transparency of such instruments are evaluated.***

***The Investment Adviser promotes good governance and social practices among sovereigns. Consequently, the Investment Adviser will not make any new investments***

*in countries where there is evidence of significant social violations. However, any existing investments in such countries shall not necessarily need to be sold, and any countries exhibiting positive momentum with respect to such violations shall not be subject to the purchase restriction. The Investment Advisor shall disclose the methodology used to evaluate significant social violations on [www.morganstanleyinvestmentfunds.com](http://www.morganstanleyinvestmentfunds.com) and on [www.morganstanley.com/im](http://www.morganstanley.com/im).*

For investments in corporate issuers specifically, investments shall not knowingly include any company whose business activity involves the following:

- manufacturing or production of controversial weapons;
- manufacturing or production of civilian firearms; and
- manufacturing or production of tobacco.

With respect to fossil fuel activities specifically, the Investment Adviser may engage company management around the topics of decarbonisation and climate risk, as well as corporate governance practices and what it deems to be materially important other environmental and/or social issues facing a company. Investments shall not knowingly include any company whose business activity involves the mining and extraction of thermal coal, where the company derives >5% revenue from such business activity.

The exception to the above is, that the Fund may invest in labelled thematic sustainable bonds, or other debt securities that are issued to raise capital specifically for climate-related or environmental projects, which are issued by issuers that would otherwise be subject to this fossil fuel exclusion, so long as it has been determined that the objectives of such instruments are consistent with a reduction by the issuer in its carbon emissions. Investment in such instruments will be subject to diligence by the Investment Adviser.

In addition to the above sectoral exclusions, the Investment Adviser monitors business practices on an ongoing basis, through data on ESG controversies and standards screening sourced from third party providers. The Investment Adviser will consider controversy cases that it views as being very severe based on ratings by relevant ESG data providers, and failures to comply with the UN Global Compact or the ILO fundamental principles, although such incidents will not automatically result in exclusion from the portfolio.

*Further to the above, the Investment Adviser may, at 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](http://www.morganstanleyinvestmentfunds.com) and on [www.morganstanley.com/im](http://www.morganstanley.com/im).*

*Investments that are held by the Fund which as a result of the application of the ESG criteria above 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 Investment Adviser uses third-party data and in some cases data on specific issuers, ESG themes or the exclusions noted above may not be available and/or may be estimated by the Investment Adviser using internal methodologies or reasonable estimates. The methodologies used by different data providers may also vary and may result in different scores.*

*The Fund may invest in issuers who may not themselves contribute to the specific environmental or social characteristics promoted by the financial product such as hedging instruments, unscreened investments for diversification purposes, investments for which data are lacking or cash held as ancillary liquidity.*



With a view to enhancing returns and/or as part of the investment strategy, the Fund may (in accordance with the investment powers and restrictions set out in Appendix A) make use of exchange traded and over-the-counter options, futures and other derivatives for investment or efficient portfolio management (including hedging) purposes.

The Fund may also invest on an ancillary basis in the aforementioned **classes of Fixed Income Securities** where such securities are issued by issuers organised **under the laws of and located (1) in neither in Developed Market (for the purposes of this Fund, as defined by the EMDD Benchmark) countries nor Emerging Market countries; or (2) in Developed Market countries, but where the securities Fixed Income Securities** are not EM Exposed Securities.

In addition, the Fund may invest on an ancillary basis in Fixed Income Securities which are not denominated in the local currency of issue, provided that 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 denominated in the local Emerging Market currency of issue to below 50% of the Fund's assets and invest in eligible Fixed Income Securities denominated in the currencies of Developed Market countries.

The Fund may also invest, to a limited extent, in warrants on transferable securities issued by issuers in Emerging Market countries and in open-ended ETFs provided that any such ETFs are eligible investments for UCITS funds.

The Fund may invest no more than 20% of its assets in Contingent Convertible Instruments.

The Fund may invest in Fixed Income Securities acquired on the China Interbank Bond Market. No more than 40% of the Fund's assets will be invested in such securities.

~~The investment process takes into account information about ESG issues when making investment decisions. The Investment Advisor may engage 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 EMDD 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 EMDD Benchmark, it can invest in such securities from countries in different proportions **to their allocations under the EMDD Benchmark**, and it can hold assets which are not exposed to countries referenced in the EMDD Benchmark. Hence, there are no restrictions on the extent to which the Fund's performance may deviate from the ~~ones of the~~ EMDD Benchmark. **The EMDD 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 Emerging Markets Domestic Debt Fund's investment objective it may be appropriate for investors who:



- seek to invest in Fixed Income Securities in ~~emerging markets~~ **Emerging Markets**;
- seek capital appreciation over the medium 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”, specifically the risks relating to ~~emerging markets~~ **Emerging Markets** and in particular Fixed Income Securities denominated in the currency of the countries of investment.