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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. 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 changes do not amount to material changes to the above Funds. The changes merely clarify the existing investment objective, strategy, policy and process of the Funds pursuant to the SFDR and the AMF Position as required by the Commission de Surveillance du Secteur Financier (the "**CSSF**") and there is no change to the existing investment objective, strategy or policy of the Funds. There is no material change or increase in the overall risk profile of the Funds and the changes do not have any material adverse impact on the rights or interests of the holders of the Funds.

**• 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 1 (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 2 (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 3 (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) updated 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 4 (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) updated to increase the investment limit with regard to the investment in China Interbank Bond Market from 10% to 20%.

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The above-mentioned changes listed under I will be effective as of 1 November 2021 and are included in the version of the Prospectus dated September 2021. The changes will be included in the version of the product key facts statements (the “KFS”) of the relevant Funds as soon as reasonably practicable.

### **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 KFS for any Fund that you are considering converting into and seek advice from your financial adviser if you are unsure about the action you should take.

Or,

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

Conversions or redemptions will be processed free of charge, with the exception of any applicable

Contingent Deferred Sales Charges (“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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## II. Non-material changes applicable to all Funds

- **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%. As a result, the ongoing charges figure over a year for share classes which have share class sub-indicator H for all Funds will be reduced by 0.01%.

- **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) (“JPM”)** 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.”*

The securities lending agent of the Company has always been entitled to retain the proportion of revenue as disclosed above in practice, which is a small portion in contrast to what the Funds retain. This clarification merely discloses the percentage figures on the proportion of revenue retained by the securities lending agent and the Funds in response to the CSSF’s thematic review on disclosures on efficient portfolio management in January 2021. There will be no change in the operation and/or manner in which the Funds are being managed and there will be no change in the fee structure, fee level or cost in managing the Funds as a result of the above change and clarification. There would not be any adverse impact on the rights or interests of the holders of the Funds.

- **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.**”*

There is no change to the existing investment objective, strategy or policy of the Funds and no material change or increase in the overall risk profile of the Funds. This clarification does not have any material adverse impact on the rights or interests of the holders of the Funds.

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The clarifications and non-material changes listed under II. are included in the version of the Prospectus dated September 2021. Where applicable, the clarifications and changes will be included in the version of the KFS of all Funds as soon as reasonably practicable.

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

- **Clarification of the investment policies of Morgan Stanley Investment Funds Global Brands Fund**

The Board has resolved to amend a paragraph of the investment policies of Morgan Stanley Investment Funds Global Brands 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.”***

This clarification does not amount to a material change. This Fund is already managed to take into account the above, and hence there is no change to the way in which this Fund is managed or its risk profile. The clarification is included in order to provide transparency for all investors in this Fund and to clarify the existing practice and investment process. There is no change to the types of companies this Fund will invest in. This clarification would not result in any material adverse impact on the rights or interests of the holders of this Fund.

- **Clarification on investments in special purpose acquisition companies (SPACs) for Morgan Stanley Investment Funds Asia Opportunity Fund, Morgan Stanley Investment Funds Global Opportunity Fund, Morgan Stanley Investment Funds US Advantage Fund and Morgan Stanley Investment Funds US Growth Fund**

The Board has resolved to add additional disclosures to clarify that any investment in SPACs will be limited to 10% of the net assets of the applicable Funds. The Funds that may invest in SPACs include Morgan Stanley Investment Funds Asia Opportunity Fund, Morgan Stanley Investment Funds Global Opportunity Fund, Morgan Stanley Investment Funds US Advantage Fund and Morgan Stanley Investment Funds US Growth Fund. The risk factor table and relevant risk disclosures in Section 1.5 “Risk Factors” of the Prospectus have been updated accordingly.

This clarification does not amount to a material change to the above Funds. There is no change to the existing investment objective, strategy or policy of the Funds or material change or increase in the overall risk profile of the Funds. This clarification would not result in any material adverse impact

on the rights or interests of the holders of the Funds.

- **Updated expected proportion of the total assets which may be subject to securities lending and borrowing transactions for Morgan Stanley Investment Funds Latin American Equity Fund**

The Board has resolved to update the expected proportion of the total assets which may be subject to securities lending and borrowing transactions for Morgan Stanley Investment Funds Latin American Equity Fund from 0% to 1%.

This update does not amount to a material change to this Fund. There is no change to the existing investment objective, strategy or policy of this Fund and no material change or increase in the overall risk profile of this Fund. There will be no change in the operation and/or manner in which this Fund is being managed and there will be no change in the fee structure, fee level or cost in managing this Fund as a result of this update. There would not be any material adverse impact on the rights or interests of the holders of this Fund.

- **Updated name of the benchmark for Morgan Stanley Investment Funds Global Convertible Bond Fund**

The name of the benchmark which Morgan Stanley Investment Funds Global Convertible Bond Fund measures its performance against will be updated from Refinitiv Convertible Global Focus (USD Hedged) Index to Refinitiv Global Convertible Index Global Focus Hedged USD in the KFS of the Fund.

This is an update of the name of the benchmark by the relevant benchmark provider only. The benchmark and the constituents of the benchmark remain the same.

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The clarifications and non-material changes listed under III. are included in the version of the Prospectus dated September 2021. Where applicable, the clarifications and changes will be included in the version of the KFS of the relevant Funds as soon as reasonably practicable.

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\*

The changes described in this notice will not give rise to additional costs and expenses implications (other than costs associated with update of the Prospectus and KFS, which will be borne by the management company of the Company, MSIM Fund Management (Ireland) Limited).

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 revised Hong Kong Prospectus and KFS will be available to investors, free of charge, at the Hong Kong Representative, Morgan Stanley Asia Limited's office (contacts are set out below).

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

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

Yours sincerely

The Board

## Appendix 1

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 ~~consists of~~ will invest primarily in 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 ~~securities~~**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 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.*

*Profile of the typical investor*

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

- seek to invest in Fixed Income Securities;*
- 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 2

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 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.*

*Profile of the typical investor*

*In light of the Global Convertible Bond Fund's investment objective it may be appropriate for investors who:*

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



### Appendix 3

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**. ~~To achieve its principal investment in Emerging Market countries, the Fund may invest in the Fixed Income Securities of companies organised and located in Emerging Market countries and may also invest in the Fixed Income Securities of companies organised and located in Developed Market countries (for the purpose of this Fund, as defined by JP Morgan Government Bond Index) where the value of the company's Fixed Income Securities will reflect principally conditions in an Emerging Market country or where the principal Fixed Income Securities trading market for such emerging country, or where 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 Market countries ("EM Exposed Securities"). 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 ~~the securities where the 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 4

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 the securities where the 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~~**20**% 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 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 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."