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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, 2 November 2020

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. Change of global distributor

Currently, **MSIM Fund Management (Ireland) Limited** the management company of the Company (the "**ManCo**") has appointed **Morgan Stanley Investment Management (Ireland) Limited** ("**MSIM Ireland**") as the global distributor of the Company. The Board has now decided to retain the marketing and distribution functions at the level of the management company of the Company therefore the ManCo will replace MSIM Ireland as global distributor of the Company with the authority to appoint distributors.

The above-mentioned changes will not impact the performance of the services or the fees payable thereunder, or on the management or composition of the underlying portfolio.

The above-mentioned change will be effective as of 31 December 2020 and will be included in the version of the Prospectus dated October 2020.

II. Changes applicable to Asian Equity Fund

The Board has resolved to amend the investment policy of the Asian Equity Fund and to rename it the "Sustainable Asian Equity Fund".

The investment policy will be amended to highlight the Investment Adviser's intention to invest in securities that are positioned to benefit from, or contribute, the sustainable development of the countries which they operate based on an ESG criteria, which shall read as follows (new wording is in bold and the wording to be removed is struck through):

> "*The **Sustainable** Asian Equity Fund's investment objective is to seek long term capital appreciation, measured in US Dollars, through investment primarily in the equity securities of companies~~, for the avoidance of doubt including closed-end Real Estate Investment Trusts (REITS),~~ domiciled in or exercising the predominant part of their economic activity in Asia, excluding Japan, thereby taking advantage of the dynamic economic growth capabilities of the region.* ***The Investment Adviser will invest in securities that are positioned to benefit from, or contribute to, the sustainable development of the countries which they operate based on the Investment Adviser's ESG criteria.***

For the avoidance of doubt, equity securities includes depositary receipts (including American Depositary Receipts (ADRs), Global Depositary Receipts (GDRs), International Depository Receipts (IDRs) and European Depositary Receipts (EDRs)), and closed-end Real Estate Investment Trusts (REITS). *The Fund invests in developed and emerging markets of the region, such as South Korea, Taiwan, Singapore, Malaysia, Hong Kong and Thailand but additional opportunities are also sought, whenever regulations permit, in any of the emerging markets and frontier markets in Asia* ***including China A-Shares via Stock Connect. The Fund may invest up to 20% of its net assets in China A-Shares via Stock Connect****.*

In relation to this Fund, "Sustainable" means that the Investment Adviser, in its discretion, integrates information about sustainable themes and ESG issues in its investment decision-making.

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 thematically aligned fundamental bottom up security selection process. The Fund will invest in high-quality companies that exhibit strong management of ESG factors relative to peers, and which offer or will offer scalable and profitable solutions to address pressing sustainability issues such as (i) climate change, (ii) natural capital, (iii) human capital, and (iv) innovation and infrastructure. For instance, a company will be aligned with the climate change theme if it has, among others, established strategies and initiatives to reduce carbon emissions and/or intensity, promoted renewable energy usage, taken actions regarding energy usage and intensity, and/or proposed affordable solutions. ESG criteria are considered by the Investment Adviser during both the investment and research process to limit exposure to ESG factors and seek out investment opportunities. These criteria revolve around the above-mentioned themes and may include, but are not limited to, climate change, carbon emissions, water scarcity, waste management, biodiversity, labour management, gender diversity, health & safety, product safety, data privacy & security, executive remuneration, board independence, shareholder rights, and bribery and corruption. 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 whose core business activity involves the manufacturing or production of:

- ***tobacco;***
- ***adult entertainment[1];***
- ***civilian firearms;***
- ***controversial weapons;***
- ***coal[2];***
- ***oil sands;***
- ***Arctic oil; and***
- ***gambling.***

[1] The Fund will not invest in securities of issuers that directly produce or own a majority stake (over 50%) in adult entertainment companies

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

For the purposes of this investment restriction, a "core business activity" is one that accounts for more than 5% of the relevant company's revenue, unless otherwise specified. 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 (together with the exclusion policy document) will be disclosed as they are implemented on www.morganstanleyinvestmentfunds.com and on www.msim.com. 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 exclusions criteria is 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 is 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 their own proprietary analysis for security selection and portfolio construction rather than third party analysis.

The Fund may also invest on an ancillary basis in ~~depositary receipts (including American Depositary Receipts (ADRs), Global Depositary Receipts (GDRs), International Depository Receipts (IDRs) and European Depositary Receipts (EDRs)),~~ debt securities convertible into common shares, preference shares, debentures, participatory notes, warrants, ~~China A-Shares via Stock Connect~~ and to a limited extent the Fund may also invest in collective investment schemes including closed-end funds and the Company's Funds, ETFs and securities not widely traded. ~~The Fund may invest up to 10% of its net assets in China A-Shares via Stock Connect.~~

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

The Fund is actively managed and is not designed to track a benchmark. Therefore, the management of the Fund is not constrained by the composition of a benchmark. The Fund's performance is measured against a benchmark as detailed in the Fund's key investor information document."

The Board has also resolved to amend the investment policy of the Asian Equity Fund in order to increase its investment in China A-Shares via Stock Connect from up to 10% to up to 20% of its net assets, which will also be part of the main investment universe. While the overall risk profile of the Fund will not change due to the change in the investment policy, investors should also note the risk factors associated with Stock Connect in the Prospectus.

Shareholders' attention is drawn to the fact that, to achieve its investment objective, the Investment Adviser will need to divest from some current positions and re-invest into securities that are positioned to benefit from, or contribute, the sustainable development of the countries which they operate based on an ESG criteria. It is expected that the Investment Adviser may start rebalancing the portfolio up to one week prior to the effective date and the Fund's portfolio may therefore be invested in securities in line with the new investment policy before the effective date.

Shareholders' attention is also drawn to the fact that the rebalancing of the Fund's portfolio will entail transactions costs to be borne by the Fund.

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The above-mentioned changes listed under II. will be effective as of 31 December 2020 and are included in the version of the Prospectus dated October 2020.

Your options

1. If you agree to the changes, you do not need to take any action. The changes will automatically go into effect for the above-mentioned Funds as of 31 December 2020.

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 30 December 2020 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 30 December 2020.

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.

III. <u>Clarifications and non-material changes applicable to all Funds</u>

- **Clarification of the investment policy of all Funds regarding benchmarks**

Section 1.2 "*Investment Objectives and Policies*" of the Prospectus has been amended in order to state that (i) the Funds are actively managed and are not constrained by a benchmark and (ii) where applicable, that a benchmark is used for performance comparison and / or to clarify investment parameters, such as market capitalization and the selection of countries, within the Funds' investment policies.

This clarification has been added following the update on 29 March 2019 by the European Securities and Markets Authority of its "Questions and Answers" document regarding the application of the UCITS Directive (ESMA34-43-392) and more particularly "Section II - Key Investor Information Document ("KIID") for UCITS".

There is no change to the investment universe in which the Funds already invest, nor is there a change to the way the Funds are managed. This clarification will not result in the Funds investing in different assets they currently invest into.

- **Clarification in respect of swing pricing mechanism**

Sections 2.2 "*Issue of Shares, Subscription and Payment Procedure*", 2.3 "*Redemption of Shares*", and 2.7 "*Net Asset Value Determination*" of the Prospectus have been amended as a result of the FAQ CSSF on the swing pricing mechanism issued on 1 July 2019 (and updated on 30 March 2020 and 7 April 2020).

Whilst it is currently disclosed in the Prospectus that the swing factor is normally not expected to exceed 2% of the net asset value of a relevant Fund on a relevant dealing day in normal market conditions, the Company would like to clarify that the Board may decide to temporarily increase this limit in exceptional circumstances (*e.g.* stressed or dislocated markets resulting in increased trading costs beyond the 2% cap) to protect shareholders' interest.

Up-to-date information on the increased swing factor actually applied to a relevant Fund will be made available on the Company's website (www.morganstanleyinvestmentfunds.com) and on www.msim.com and may also be made available to Shareholders free of charge upon request. Shareholders will also be informed on these websites when the market conditions no longer require that the adjustment limit exceeds the level disclosed in the Prospectus.

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The clarification and non-material changes listed under III. are included in the version of the Prospectus dated October 2020.

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

- **Change to the global exposure methodology for Global Brands Equity Income Fund and Real Assets Fund**

The Board has resolved to amend the global exposure methodology for Global Brands Equity Income Fund and Real Assets Fund, as follows:

Name of Fund	Current global exposure methodology	Contemplated global exposure methodology
Global Brands Equity Income Fund	Absolute VaR with an expected gross leverage set at 200%	Relative VaR with an expected gross leverage set at 200% and using MSCI World Index as reference portfolio
Real Assets Fund	Absolute VaR with an expected gross leverage set at 125%	Commitment

With regard to Real Assets Fund, it has observed relatively low derivatives usage levels over the Fund's history, and its investment team has confirmed that they do not expect to trade significant derivative exposures in the future. Accordingly, the change of global exposure methodology seems more appropriate for the Fund's strategy.

In respect of Global Brands Equity Income Fund, it was expected that derivatives would contribute more to the overall risk profile of the Fund than has been experienced. Given the smaller contribution of derivatives to the risk profile of the Fund the proposal is to move from an absolute VaR to a relative VaR approach. Accordingly, the change of global exposure methodology seems more appropriate for the Fund's strategy.

- **Clarification of the investment policy of Developing Opportunity Fund**

The Board has resolved to amend the investment policy of the Developing Opportunity Fund in order to remove the reference to the benchmark MSCI Emerging Markets Net Index which was previously used in the Prospectus to clarify the capitalization range of companies in which the Fund primarily invests.

The Fund will continue to primarily invest in equity securities of companies within the same range of capitalization however the benchmark was not used to define or limit the companies which the Fund invests in and so the Board has resolved to remove the reference to it in the Prospectus

The geographical location of issuers of equity securities in which the Fund will be primarily invested under normal market conditions has also been clarified to provide that such issuers may also be located in frontier emerging markets countries.

This Fund is already managed to take 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.

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The clarification and non-material changes listed under IV. are included in the version of the Prospectus dated October 2020.

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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