

Global Balanced Risk Control Team Spotlight

GLOBAL BALANCED RISK CONTROL TEAM | SPOTLIGHT | 31 MARCH 2021

TEAM OVERVIEW: The Global Balanced Risk Control (GBaR) team's suite of products are based on a time-tested, risk-targeted asset allocation process. All seek an attractive level of total return, within a targeted risk range, by investing in a mix of equities, fixed income, commodity-linked investments and cash. These funds are managed to the same GBaR process, but with different implementation.

| PRODUCT | MS INV GLOBAL BALANCED RISK CONTROL | MS INV GLOBAL BALANCED INCOME | MS INV GLOBAL BALANCED | MS INV GLOBAL BALANCED DEFENSIVE |
|--|---|--|--|--|
| Portfolio Managers | Andrew Harmstone, Manfred Hui ¹ | Andrew Harmstone, Manfred Hui ¹ | Andrew Harmstone, Manfred Hui ¹ | Andrew Harmstone, Manfred Hui ¹ |
| Fund Inception Date² | 02 November 2011 | 31 July 2014 | 16 August 2016 | 23 August 2016 |
| Base Currency | Euro | Euro | Euro | Euro |
| Key Distinctions | Among the Fund's investments are actively managed mutual funds (including MSIM and 3rd-party funds,) ETFs, ETCs, index futures and options. | Income is enhanced by the sale of put options on major equity indices. | ESG factors may be considered in assessing potential return and contribution to portfolio risk. Implementation of asset allocation is through direct securities. | ESG factors may be considered in assessing potential return and contribution to portfolio risk. Implementation of asset allocation is through direct securities. |
| Volatility Target | 4% - 10% | 4% - 10% | 4% - 10% | 2% - 6% |
| Fund-of-funds | ✓ | | | |
| Direct Securities Holdings³ | | ✓ | ✓ | ✓ |
| ESG-'tilted'⁴ | | | ✓ | ✓ |
| Sells Put Options For Income | | ✓ | | |
| Fund Total Assets | €4.0 Bn | €259.16 Mn | €1.1 Bn | €58.30 Mn |
| Morningstar Category | EAA Fund EUR Flexible Allocation - Global | EAA Fund EUR Flexible Allocation - Global | EAA Fund EUR Flexible Allocation - Global | EAA Fund EUR Moderate Allocation - Global |
| Morningstar RatingTM (# of funds)* | ★★★★ (2326 Funds) | ★★★★ (2326 Funds) | ★★★★ (2326 Funds) | ★★★ (2022 Funds) |
| Investment Performance (% net of fees) | Class Z Shares | Class Z Shares | Class Z Shares | Class Z Shares |
| 3 Months | 0.91 | 3.30 | 3.08 | 0.91 |
| YTD | 0.91 | 3.30 | 3.08 | 0.91 |
| 1 YR | 18.25 | 11.52 | 10.72 | 5.14 |
| 3 YR | 4.79 | 2.04 | 2.49 | 1.90 |
| 5 YR | 4.96 | 2.57 | -- | -- |
| INCEPTION | 6.39 | 3.12 | 2.32 | 1.33 |
| Calendar Year Returns (%) | Class Z Shares | Class Z Shares | Class Z Shares | Class Z Shares |
| 2020 | 7.21 | -3.32 | -2.57 | -0.38 |
| 2019 | 8.80 | 9.21 | 8.59 | 5.59 |
| 2018 | -4.51 | -6.23 | -4.43 | -2.26 |
| 2017 | 6.68 | 4.75 | 4.63 | 0.63 |
| 2016 | 5.81 | 4.83 | 1.92 | 1.80 |
| Statistics (3 Year annualised) | Class Z Shares | Class Z Shares | Class Z Shares | Class Z Shares |
| Volatility (Standard deviation) (%) | 6.85 | 6.69 | -- | -- |
| Sharpe ratio | 0.76 | 0.36 | -- | -- |

¹ The team has been managing portfolios to the GBaR Strategy, on which all these funds are based, since June 2009.

² Since inception of fund.

³ Asset class exposure primarily through optimised baskets of direct securities, rather than funds or ETFs.

⁴ Securities baskets 'tilted' towards stocks with higher ESG scores than their sector average, based on Sustainalytics ratings. ESG is an acronym covering three pillars of sustainability: environmental, social and governance factors.

Source: Morgan Stanley Investment Management. Returns of less than 1 year are cumulative. All other returns are annualised.

Past performance is not a reliable indicator of future results. Returns may increase or decrease as a result of currency fluctuations. All performance data is calculated NAV to NAV, net of fees, and does not take account of commissions and costs incurred on the issue and redemption of units. The sources for all performance and index data is Morgan Stanley Investment Management. The investment team does not target a benchmark index when managing these funds. Instead, manage funds to a target volatility range. Targets provided are indicative and not guaranteed in any way.

Portfolio Management Team



ANDREW HARMSTONE
Managing Director

Joined the firm in 2008 and has 40 years of industry experience



MANFRED HUI
Managing Director

Joined the firm in 2007 and has 15 years of industry experience

Team members are subject to change from time to time without notice.

Risk Considerations:

- The value of bonds are likely to decrease if interest rates rise and vice versa.
- The value of financial derivative instruments are highly sensitive and may result in losses in excess of the amount invested by the Sub-Fund.
- Issuers may not be able to repay their debts, if this happens the value of your investment will decrease. This risk is higher where the fund invests in a bond with a lower credit rating.
- The fund relies on other parties to fulfill certain services, investments or transactions. If these parties become insolvent, it may expose the fund to financial loss.
- There may be an insufficient number of buyers or sellers which may affect the funds ability to buy or sell securities.
- There are increased risks of investing in emerging markets as political, legal and operational systems may be less developed than in developed markets.
- Past performance is not a reliable indicator of future results. Returns may increase or decrease as a result of currency fluctuations. The value of investments and the income from them can go down as well as up and investors may lose all or a substantial portion of his or her investment.
- The value of the investments and the income from them will vary and there can be no assurance that the Fund will achieve its investment objectives.
- Investments may be in a variety of currencies and therefore changes in rates of exchange between currencies may cause the value of investments to decrease or increase. Furthermore, the value of investments may be adversely affected by fluctuations in exchange rates between the investor's reference currency and the base currency of the investments.
- In addition, **MS INVF Global Balanced Fund** and **MS INVF Global Balanced Defensive Fund** commodity investments can change significantly and quickly in value as a large variety of factors affect them and for **MS INVF Global Balanced Income Fund** derivative strategy aims to increase the income paid to investors, but there is potential for the fund to suffer losses.

DEFINITIONS: Volatility is a statistical measure of the dispersion of returns for a given security or market index. Risk is defined in terms of volatility. The team measures volatility on an ex-ante (forward-looking) basis using the manager's proprietary risk management system. **Targets** are typical ranges. There is no assurance that these targets will be attained. **"ESG" investment:** Environmental Social and Governance-based investment is an investment approach which takes explicit account of the environmental, social and corporate governance aspects of all proposed investments. **Exchange traded funds (ETFs)** shares have many of the same risks as direct investments in common stocks or bonds and their market value will fluctuate as the value of the underlying index does. By investing in exchange traded funds (ETFs), the portfolio absorbs both its own expenses and those of the ETFs it invests in. Supply and demand for ETFs may not be correlated to that of the underlying securities. The strategy may, from time to time, emphasize certain market sectors. To the extent the strategy does so, it is more susceptible to economic, political, regulatory and other occurrences influencing those sectors. **A Fund of Funds (FOF)** refers to as a multi-manager investment - is an investment strategy in which a fund invests in other types of funds. This strategy invests in a portfolio that contains different underlying assets instead of investing directly in bonds, stocks and other types of securities. **Option Writing Strategy** is writing put options involves the risk that the Portfolio may be required to buy the underlying security or instrument (or settle in cash an amount of equal value) at a disadvantageous price or above the market price of such underlying security or instrument, at the time the option is exercised. There are special risks associated with selling put options which expose the Portfolio to potentially significant loss. **Put Option** is a contract that provides the purchaser the right (but not the obligation) to sell a futures contract at an agreed price (the strike price) at any time during the life of the option. A put option is purchased in the expectation of a decline in price. Index futures are based on the projected movement of a share price index, such as the FTSE 100. The **Asset Allocation strategies** provide the Investment Adviser with wide discretion to allocate between different asset classes. From time to time, the Asset Allocation may have significant exposure to a single or limited number of fixed income or equity asset classes. Accordingly, the relative relevance of the risks associated with equity securities, Fixed Income Securities and derivatives will fluctuate over time. Investments in derivative instruments carry certain inherent risks such as the risk of counter party default and before investing you should ensure you fully understand these risks. Use of leverage may also magnify losses as well as gains to the extent that leverage is employed. These investments are designed for investors who understand and are willing to accept these risks. Performance may be volatile, and an investor could lose all or a substantial portion of his or her investment.

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***Global Balanced Risk Control:** Class Z Shares 3 year 4 Stars out of 2326 funds, 5 year 4 Stars out of 1671 funds. **Global Balanced Income:** Class Z Shares 3 year 3 Stars out of 2326 funds, 5 year 3 Stars out of 1671 funds. **Global Balanced:** Class Z Shares 3 year 3 Stars out of 2326 funds. **Global Balanced Defensive:** Class Z Shares 3 year 2 Stars out of 2022 funds.

MORNINGSTAR INFORMATION

Ratings as 31/03/2021. The Morningstar Rating™ for funds, or “star rating”, is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-end funds, and separate accounts) with at least a three-year history. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product’s monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating metrics. The weights are: 100% three-year rating for 36-59 months of total returns, 60% five-year rating/40% three-year rating for 60-119 months of total returns, and 50% 10-year rating/30% five-year rating/20% three-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent three-year period actually has the greatest impact because it is included in all three rating periods. Ratings do not take into account sales loads.

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